INDEPENDENT OFFICES APPROPRIATIONS, 1952

FRIDAY, APRIL 20, 1951

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to call, in room F–39, the Capitol, Hon. Burnet R. Maybank (chairman of the subcommittee) presiding.

Present: Senators Maybank, McKellar, Hill, Ellender, Saltonstall, Ferguson, and Cordon.

TENNESSEE VALLEY AUTHORITY

STATEMENTS OF GORDON R. CLAPP, CHAIRMAN OF THE BOARD; JOHN OLIVER, ACTING GENERAL MANAGER; G. O. WESSENAUER, MANAGER OF POWER; C. E. BLEE, CHIEF ENGINEER; JOSEPH C. SWIDLER, GENERAL COUNSEL; R. A. KAMPMEIER, ASSISTANT MANAGER OF POWER; JOHN H. CLARK, ASSISTANT CHIEF BUDGET OFFICER; AND MARGUERITE OWEN, WASHINGTON REPRESENTATIVE, TENNESSEE VALLEY AUTHORITY

JUSTIFICATION

Senator HILL. The subcommittee will come to order
I will insert the justification at this point.
(The justification is as follows:)

PURPOSE AND FINANCIAL ORGANIZATION

The Tennessee Valley Authority is a Corporation established "to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes" (16 U. S. C. 831).

The Corporation's programs are financed by appropriations and by proceeds from its operations, principally the sale of power and fertilizer materials. Appropriations are requested to cover expenses of navigation and flood-control operations, fertilizer and munitions development, resource development activities, and most capital plant additions. Proceeds (referred to as corporate

funds) are used to conduct the business of generating, transmitting, and distributing electric energy, including related reservoir operating expenses; and in manufacturing, selling, and distributing fertilizer. Section 26 of the TVA Act, as amended, provides for payment into the Treasury of the United States of such proceeds as in the opinion of the TVA Board are not required for the purposes enumerated above.

Analysis of Budget Programs

The function of TVA is to bring about the unified development of the water and soil resources of the Tennessee Valley. The program consists of five types of activity: (1) Navigation, flood control, and power operations; (2) reservoir development; (3) fertilizer and munitions development; (4) resource development activities; and (5) construction or acquisition of structures and equipment to be employed in the foregoing operations.

As shown in statement A following this narrative, the 1952 program involves the use of $250,622,000 of appropriated funds, and $108,202,000 of corporate funds, a total of $358,824,000.

NAVIGATION, FLOOD CONTROL, AND POWER

As of June 30, 1950, the total investment in facilities serving navigation, flood control, and power was $766,041,551, and was allocated as required by section 14 of the act (16 U. S. C. 831m), as follows: Navigation, $141,600,613; flood control, $155,432,856; and power, $469,008,082. Principal components are a system of 24 major dams, 22 major hydroelectric generating stations, 10 navigation locks, 6 major fuel-electric generating stations, and a power transmission network of about 7,200 circuit-miles.

Navigation operations.—Navigation improvements which have been constructed on the Tennessee River and its tributaries provide a 9-foot channel from the mouth of the river to Knoxville, Tenn., a distance of 650 miles. The Tennessee Valley is thereby linked with the 6,000-mile inland waterways system extending from the Great Lakes to the Gulf of Mexico. Freight traffic on the Tennessee River has increased from 32,659,000 ton-miles in 1933 to about 470,000,000 ton-miles in 1949. Increasing quantities of steel, oil, and other higher value commodities are being shipped. There also has been a tremendous growth in recreational navigation.

The Corporation's activities in the field of navigation consist of: (1) Keeping the facilities open and adequate to meet the needs of commerce; (2) encouraging and assisting private interests in the development of terminal facilities and barge-line services; and (3) working with shippers, carriers, and others in coordinating water transportation with other means of transport. Five small public-use river terminals are operated to provide service for small shippers and to permit prospective large shippers to try water transportation before making heavy investments in their own facilities.

Close working relationships are maintained among the TVA, the United States Corps of Engineers, the United States Coast Guard, and State and local agencies in matters relating to navigation on the Tennessee River.

The net expense of navigation operations, as shown in statement B, is estimated at $2,822,000 in 1952, compared to $2,978,000 in 1951 and $2,796,445 in 1950.

Flood control operations.—The river control system on the Tennessee and its tributaries provides 11,738,000 acre-feet of storage for flood control. To date the system has averted nearly $45,000,000 in flood damage at the city of Chattanooga alone. Benefits to communities below the mouth of the Tennessee are substantial and extend to the lower Ohio and Mississippi basins. Studies show that the present reservoir system would be able to reduce flood heights at Cairo, Ill., from 2 to 3½ feet. The operation of the Tennessee River system is recognized as an important factor in the planning of the Mississippi River levees between Cairo and the mouth of the Red River.

The net expense of flood control operations, as shown in statement B, is estimated at $2,371,000 in 1952 and $2,536,000 in 1951; in 1950 it was $2,331,521.

Power operations.—Power operations of the Corporation are confined to generation and transmission of power and sales at wholesale to local distribution systems and to certain industries and Government agencies requiring large amounts of power. Power is distributed by 145 local public agencies to more than 1,100,000 ultimate consumers. As of June 30, 1950, the installed capacity of the system was 2,993,610 kilowatts, including 36,000 kilowatts in a Department of the Army plant on a tributary of the Cumberland River and 345,560 kilowatts in plants owned by the Aluminum Co. of America but operated as a part of the TVA system. The total system input in fiscal year 1950 was 18,426,000,000 kilowatt-hours, of which 16,522,000,000 kilowatt-hours was generated at hydro plants and 1,904,000,000 kilowatt-hours was supplied by fuel plants or other auxiliary sources of supply. System input is estimated at 19,227,000,000 kilowatt-hours and 22,771,000,000 kilowatt-hours, respectively, for 1951 and 1952.

Net income from power operations (before interest charges) amounted to $27,006,662 in fiscal year 1950. Estimates for 1951 and 1952 are $24,360,000 and $20,779,000, respectively. The return on power investment was 5.8 percent in 1950. During the next 2 years, with power demands substantially in excess of the capacity of the system's economical power sources, the return on the investment is expected to range from 3½ to 4½ percent. The estimates are based on assumptions of average stream flow. Dry-year conditions would reduce the energy available from hydro sources, increase operating expenses through a greater use of steam generation, and thus lower substantially the amount of net income which would be realized. Better-than-average streamflow could produce some increase over the estimates.

RESERVOIR MANAGEMENT

Multipurpose reservoirs are managed by TVA primarily for navigation, flood control, and power. The costs of operations common to navigation, flood control, and power are allocated to and included in the estimates for those three programs These common expenses are estimated at $3,345,000 in 1952 and cover the cost of water dispatching operations, malaria control, plant protection and services to visitors, engineering tests and studies, and maintenance of multiple-use facilities. In addition to these allocated expenses, certain activities are conducted to aid in obtaining additional use of the reservoirs. These reservoir development activities consist of fish and game investigations, stream sanitation work, and recreation development; they are estimated to cost $210,000 in 1952.

FERTILIZER AND MUNITIONS DEVELOPMENT

Chemical laboratories at Wilson Dam, Ala., and production facilities at Wilson Dam, Ala., and Columbia, Tenn., form a center of research for the development of new and improved fertilizers and processes for their manufacture. Use of the research and production facilities for national defense takes precedence over other use.

Expenditures from appropriated funds for the fertilizer and munitions program are estimated at $1,404,000 for 1952 and cover the costs of research in product and process development and research in fertilizer use. Gross expenditures from corporate funds, for the cost of manufacturing and distributing fertilizer, are estimated at $16,026,000. Gross receipts are estimated at $19,224,000. The estimated net income of the program is $179,000 after provision for depreciation ($1,447,000) and prorations of administrative and general expenses ($168,000).

Research on products and processes consists of (1) small-scale chemical research, and (2) process development. The first category is limited to exploratory tests, background research, and applied research at the laboratory level. Process development includes the technical and economic evaluation of research results; design, construction, and operation of pilot plants; improvement of

design features and operating procedures of demonstration or large-scale plants; and engineering and economic studies directed toward use of the findings by other agencies and industries.

Research in fertilizer use includes testing fertilizer under controlled and practical farm conditions, research in fertilizer application, experimentation with fertilizers in different farming systems, and economic analyses.

Large-scale fertilizer manufacturing units are built and operated to demonstrate the technical and commercial feasibility of new processes on a scale suitable for adoption by industry; to supply fertilizers in sufficient quantity for farm tests and demonstrations; and to produce new fertilizers in quantities sufficient for widespread introduction to farmers. Phosphatic and nitrogenous fertilizers produced will be used in tests and demonstrations and substantial quantities will be distributed through commercial and cooperative channels for experimental and educational purposes and to increase the production of agricultural products needed for national defense.

RESOURCE DEVELOPMENT ACTIVITIES

The 1952 estimate for these activities is $2,480,000 ($2,286,000 from appropriated funds and $194,000 from corporate funds). In view of the requirements of national defense, the marked progress which has been made in a regional development in the past 17 years, and the increased effectiveness of State and local agencies, TVA is making a number of significant adjustments in its resource development activities. These adjustments involve a contraction of general test-demonstration activities and increased reliance on other agencies for the educational phases of the program; withdrawal from research and technical assistance activities in fields where State and local agencies are taking increased initiative; drastic curtailment of activities not related to national defense; and concentration of efforts on specifically defined projects and in selected tributary watersheds. The program is carried out in close cooperation with State, local, and other Federal agencies. It includes agricultural resource development, forest-resource development, tributary watershed development, mineral-resource development, topographic mapping, and surveys and studies of the Tennessee Valley. The expenditure level proposed for 1952 is substantially below that of recent years.

CONSTRUCTION AND ACQUISITION OF ASSETS

Total obligations for construction and acquisition of assets are estimated at $266,601,000 in fiscal year 1952, of which $241,732,000 would be derived from appropriated funds and $24,869,000 from proceeds. The program is summarized as follows:

Completion of South Holston Dam	$126,000
Continued construction of 2 dams and reservoir projects on the South Fork of the Holston River	415,000
Additions and improvements to multipurpose dams and reservoirs	12,568,000
Continued work on 8 hydro generating units in existing dams	143,210,000
Continued construction of 18 generating units in 4 steam plants	3,390,000
Commencing construction of 2 hydro generating units at existing projects	12,666,000
Commencing construction of 2 additional units at Widows Creek steam plant	16,568,000
Commencing construction of a new steam plant of 2 units	52,736,000
Transmission and other electric plant	78,000
Navigation facilities	1,500,000
Chemical facilities	900,000
Facilities for general use	300,000
Investigations for future projects	3,144,000
Administrative and general expenses distributed to fixed assets	
Total	266,601,000

A supplemental appropriation estimate amounting to $66,500,000 for power facilities is not reflected in these estimates.

The first three items above relate to structures serving the navigation, flood control, and power programs. The estimate for South Holston Dam provides for completion of this project for which closure was made in November 1950, and initial power generation is scheduled in February 1951. The second item provides for continued construction of the Boone and Fort Patrick Henry projects on the south fork of the Holston River, the former scheduled for completion during the early part of calendar year 1953 and the latter during the early part of calendar year 1954.

Most of the remaining funds required in 1952 will be used to enlarge the generating capacity at other projects, to continue work on new projects scheduled to be started in the fiscal year 1951, and to increase the capacity of the power system transmission network. The Tennessee Valley region, wholly dependent for electricity upon the TVA system, is experiencing a steady growth in power loads. The program aims to place sufficient additional generating facilities in operation in the calendar years 1952 and 1953 and early in 1954 to minimize a critical shortage in power supply in the winter of 1952–53 and to meet the anticipated demands in the winter of 1953–54. The installations proposed represent a minimum program for supplying increased demands to result from continuing mobilization for defense.

Since the end of World War II, installations of new power capacity have not kept pace with the growth in electric load. In 1945, when the peak wartime demands occurred, there was a margin of nearly 20 percent between demands and assured capacity. Because of the more rapid increase in load than in capacity to serve it, this margin has greatly decreased. Even with the present heavy construction program, it is expected that there will be little, if any, margin in the winters of 1952–53 and 1953–54.

In order to provide capacity for supplying power to the Atomic Energy Commission's new Kentucky facilities and to meet other load increases during calendar year 1953, TVA is beginning, in fiscal year 1951, construction of two new steam plants. A small part of this new capacity will be in service by December 1952. Together with other capacity now under construction, the TVA system will have a load-carrying ability of about 4,600,000 kilowatts by the winter of 1952–53. At that time power requirements, including the initial supply of TVA power to the new AEC load, are expected to equal or exceed this amount. The facilities to be completed during 1953 will increase the assured capacity to about 5,500,000 kilowatts by the winter of 1953–54, providing for the expected peak load and reestablishing a very small margin.

It is proposed to place orders with manufacturers during fiscal year 1952 for additional generating units which will provide capacity in calendar year 1954 necessary to meet load developments to be expected in that year. These additional units, together with expected installations in the Cumberland Basin to become available in 1954, will add about 590,000 kilowatts to the load-carrying ability of the system. Developments in the near future will determine what other steps, if any, may be necessary to add to the 1954 power supply.

The estimate of $1,500,000 for chemical facilities provides for phosphate washing and processing equipment, additional nitric-acid towers to handle increased production of ammonium nitrate, and plant replacements necessary to keep existing phosphate and nitrate facilities in operation.

The estimate of $900,000 for general facilities provides for routine replacement of transportation, office, and other general equipment.

ADMINISTRATIVE AND GENERAL EXPENSES

These expenses consist primarily of costs of administration and management services common to all organizations and functions which have been centralized in the interest of economy and convenience in over-all operations. Schedule B–2 summarizes these expenses by source and shows the distribution to the various programs and projects. The 1952 estimate of $4,450,000 represents about 1 percent of the total gross budget of the agency.

FINANCIAL REVIEW

Net effect on Government budget.—The 1952 program involves the use of $250,622,000 of appropriated funds and $108,202,000 of corporate funds, a total of $358,824,000. Of the total, $268,655,000 is for acquisition of assets; $76,926,000 is for operating expenses; $11,773,175 for retirement of borrowings and payments to the United States Treasury; and $1,469,825 to increase corporate working capital. The use of these funds will result in net budgetary expenditures of $236,597,000.

Operating results.—Operating results of the several programs are summarized in statement B. Net income from power operations (after interest charges) is estimated at $20,000,000 for 1952, as compared with $23,496,000 in 1951 and $26,068,211 in 1950; the net expenses for other programs are estimated at $7,766,000 in 1952, $10,787,000 in 1951, and amounted to $10,092,045 in 1950.

Financial condition.—The financial position of the Corporation at the close of fiscal years 1949 through 1952 is shown on statement C. Significant items are as follows:

Cash and cash funds.—Cash balances with the United States Treasury at the end of each year are generally sufficient to cover outstanding obligations. The forecast cash balance of $66,865,890 at June 30, 1952, reflects anticipated increases in unliquidated obligations.

Land, structures, and equipment.—The increase of $264,216,000 represents additional construction in progress and plant to be placed in service. Major projects scheduled for completion in 1952 are: Additional hydro generating units at Pickwick, Guntersville, and Chickamauga Dams; four generating units at Johnsonville steam plant; the power service building; and additional transmission facilities.

Interest-bearing investment.—Total interest-bearing investment consists of bonds sold to and held by the United States Treasury. The 1952 budget program provides for the retirement from power proceeds of $4,000,000 of this indebtedness, leaving a balance of $40,000,000 outstanding as of June 30, 1952.

Non-interest-bearing investment.—Through June 30, 1950, the Congress had appropriated $827,603,981. For fiscal year 1951 the Congress has appropriated $131,214,000, of which $3,000,000 has been placed in reserve under the provisions of section 1214 of the General Appropriation Act, 1951. The 1952 budget program requests an appropriation of $248,568,000.

In addition to the retirement of bonds mentioned above, repayment of $5,000,000 from power proceeds of the United States Treasury's investment in power program assets is budgeted for 1952. Schedule C–1, "Repayment of investment in power program," summarizes the status of repayments under title II of the Government Corporations Appropriation Act, 1948. A repayment of $2,773,175 from nonpower proceeds is also budgeted for 1952.

STATEMENT A.—*Tennessee Valley Authority: Statement of sources and application of funds*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
FUNDS APPLIED			
From appropriated funds:			
To acquisition of assets (schedule A–1)	$35,273,283	$150,427,000	$285,586,000
To expenses (schedule A–2)	6,444,651	5,920,000	6,836,000
To savings under sec. 1214		3,000,000	
To increase in working capital [1]	19,323,716	38,367,000	
Total appropriated funds applied	61,041,650	197,714,000	292,422,000
From corporate funds:			
To acquisition of assets (schedule A–1)	22,135,362	20,798,000	24,869,000
To expenses (schedule A–2)	41,591,624	51,168,000	70,090,000
To retirement of borrowings (schedule C–1)	2,500,000	5,000,000	4,000,000
To repayment of investment:			
Power (schedule C–1)	3,000,000	4,000,000	5,000,000
Other	1,174,463		2,773,175
To increase in working capital [1]	12,247,629	6,868,000	1,469,825
Total corporate funds applied	82,649,078	87,834,000	108,202,000
Total funds applied	143,690,728	285,548,000	400,624,000
FUNDS PROVIDED			
Appropriated funds:			
By appropriations: Enacted (1950, 1951) and recommended (1952) [2]	61,041,650	197,714,000	248,568,000
By decrease in working capital [1]			43,854,000
Total appropriated funds provided	61,041,650	197,714,000	292,422,000
Corporate funds:			
By realization of assets:			
Sales of retired plant and construction costs recovered	1,767,878	2,280,000	904,000
Other	1,273,498	27,000	26,000
Total realization of assets	3,041,376	2,307,000	930,000
By income:			
Power operations	58,431,360	66,422,000	84,999,000
Prepaid rent on Memphis steam plant	1,145,098		
Chemical operations	17,670,293	16,196,000	
Fertilizer and munitions development			19,224,000
Reimbursable services	1,703,089	2,359,000	2,501,000
Miscellaneous receipts from other programs	657,862	550,000	548,000
Total income	79,607,702	85,527,000	107,272,000
Total corporate funds provided	82,649,078	87,834,000	108,202,000
Total funds provided	143,690,728	285,548,000	400,624,000
EFFECT ON BUDGETARY EXPENDITURES			
Checking accounts with United States Treasurer: [3]			
Net increase (−) or decrease in checking account balance with United States Treasurer	−$13,281,583	−$93,415,046	$41,602,175
Net funds borrowed from or repaid to (−) U. S. Treasury:			
Retirement of bonds held by U. S. Treasury	−2,500,000	−5,000,000	−4,000,000
Repayment of investment	−4,174,463	−4,000,000	−7,773,175
Subtotal	−19,956,046	−102,415,046	29,829,000
Adjusted to checks issued basis	377,772		
Subtotal	−19,578,274	−102,415,046	29,829,000
General and special account expenditures: Tennessee Valley Authority fund	38,773,851	231,138,865	248,568,000
Net effect on budgetary expenditures	19,195,577	128,723,819	278,397,000

[1] Changes in working capital include:

	1950 actual	1951 estimate	1952 estimate
Cash	$35,204,678	$50,632,729	−$41,602,175
Other	−3,633,333	−5,397,729	−782,000

[2] The enacted appropriations include supplemental amounts of $11,682,500 in 1950 and $95,000,000 in 1951.
[3] In accord with the provisions of sec. 309 of Public Law 266, TVA plans during 1951 to consolidate all cash into 1 account for checking purposes.

SCHEDULE A–1.—*Tennessee Valley Authority: Detail of funds applied—Acquisition of assets*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
APPROPRIATED FUNDS			
Obligations:			
Dam and reservoir projects:			
South Holston	$9,278,245	$2,888,000	$126,000
Watauga	1,152,631	361,000	
Boone		9,006,000	14,000,000
Fort Patrick Henry		493,000	5,000,000
Additions and improvements	914,884	761,000	415,000
Total dam and reservoir projects	11,345,760	13,509,000	19,541,000
Power facilities:			
Johnsonville steam plant	19,479,690	40,616,000	30,444,000
Widows Creek steam plant	4,704,438	27,472,000	43,064,000
Shawnee steam plant (west Kentucky)		32,000,000	44,000,000
Kingston steam plant (A)		24,500,000	38,250,000
New steam plant (B)			16,568,000
Additional hydro generating units	10,093,315	16,311,000	15,958,000
Transmission system facilities	1,026,772	28,540,000	27,499,000
Power service building	1,632,332	1,012,000	785,000
Total power facilities	36,936,547	170,451,000	216,568,000
Navigation facilities	414,481	391,000	78,000
Chemical facilities	3,663,414	3,373,000	1,500,000
General facilities	370,038	966,431	900,000
Investigations for future projects	150,156	210,000	300,000
Administrative and general expenses applicable to acquisition of assets	1,426,826	2,624,000	2,845,000
Total obligations for acquisition of assets	54,307,222	191,524,431	241,732,000
Change in unliquidated obligations at June 30:			
Balance end of year	−23,475,135	−64,572,566	−20,718,566
Balance beginning of year	4,441,196	23,475,135	64,572,566
Change in unliquidated obligations	−19,033,939	−41,097,431	43,854,000
Total appropriated funds applied—acquisition of assets (statement A)	35,273,283	150,427,000	285,586,000
CORPORATE FUNDS			
Obligations:			
Dam and reservoir projects:			
South Holston	81,291	352,000	
Watauga	30,463		
Total dam and reservoir projects	111,754	352,000	
Power facilities:			
Johnsonville steam plant	48,521	118,000	118,000
Additional generating units	5,010,826		
Transmission system facilities	15,114,924	19,432,000	24,371,000
Acquisition of Memphis steam plant	1,150,490		
Other power facilities	46,833	559,000	81,000
Total power facilities	21,371,594	20,109,000	24,570,000
Administrative and general expenses applicable to acquisition of assets	652,014	337,000	299,000
Total corporate funds applied—acquisition of assets (statement A)	22,135,362	20,798,000	24,869,000
Total funds applied, acquisition of assets	57,408,645	171,225,000	310,455,000

SCHEDULE A–2.—*Tennessee Valley Authority: Detail of funds applied—Expenses*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
Appropriated funds:			
Navigation operations	$296,376	$332,000	$361,000
Flood-control operations	71,525	53,000	48,000
Reservoir management			2,318,000
Fertilizer and munitions research and development	1,228,612	1,187,000	
Fertilizer and munitions development			1,464,000
Resource development activities	4,531,785	4,082,000	2,286,000
Maintenance of bridges financed by others on TVA dams		2,000	3,000
Administrative and general expenses applicable to programs	316,353	264,000	416,000
Total appropriated funds applied, expenses (statement A)	6,444,651	5,920,000	6,836,000
Corporate funds:			
Power operations	19,615,611	29,246,000	49,242,000
Multipurpose reservoir operations	3,580,713	3,979,000	
Reservoir management			1,237,000
Chemical operations	15,140,317	14,409,000	
Fertilizer and munitions development			16,026,000
Resource development activities	255,118	200,000	194,000
Reimbursable services	1,703,089	2,359,000	2,501,000
Administrative and general expenses applicable to programs	1,296,776	975,000	890,000
Total corporate funds applied, expenses (statement A)	41,591,624	51,168,000	70,090,000
Total funds applied, expenses	48,036,275	57,088,000	76,926,000

STATEMENT B.—*Tennessee Valley Authority: Statement of income and expenses*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
NAVIGATION OPERATIONS			
Income: Incidental income	$57,394	$98,000	$127,000
Expenses:			
Study and development of river transportation	227,500	216,000	227,000
Operation of public-use river terminals	61,031	106,000	127,000
Power for lock operations	7,845	7,000	7,000
Maintenance of navigation facilities		3,000	
Total direct expenses (schedule A–2)	296,376	332,000	361,000
Distribution of administrative and general expenses (schedule B–2)	15,467	12,000	12,000
Allocated from reservoir management	1,185,005	1,336,000	1,129,000
Total expenses before depreciation	1,496,848	1,680,000	1,502,000
Depreciation on navigation facilities	587,986	594,000	600,000
Depreciation allocated from reservoir management	769,005	802,000	847,000
Total expenses	2,853,839	3,076,000	2,949,000
Net expense of navigation operations	2,796,445	2,978,000	2,822,000
FLOOD CONTROL OPERATIONS			
Expenses:			
Direct expenses (schedule A–2)	71,525	53,000	48,000
Distribution of administrative and general expenses (schedule B–2)	4,051	3,000	4,000
Allocated from reservoir management	1,186,942	1,336,000	1,129,000
Total expenses before depreciation	1,262,518	1,392,000	1,181,000
Depreciation on flood-control facilities	256,689	300,000	300,000
Depreciation allocated from reservoir management	802,314	844,000	890,000
Total expense of flood-control operations	2,331,521	2,536,000	2,371,000
POWER OPERATIONS (SCHEDULE B–1)			
Income:			
Total operating revenues	56,084,237	64,652,000	83,601,000
Total incidental income	2,347,123	1,770,000	1,398,000
Total income before amortization (statement A)	58,431,360	66,422,000	84,999,000
Amortization of prepaid rentals on Memphis steam plant	11,928	142,000	142,000
Total income	58,443,288	66,564,000	85,141,000

STATEMENT B.—*Tennessee Valley Authority: Statement of income and expenses*—Continued

	1950 actual	1951 estimate	1952 estimate
Expenses:			
Direct expenses (schedule A–2)	$19,615,611	$29,246,000	$49,242,000
Distribution of administrative and general expenses (schedule B–2)	656,792	591,000	716,000
Allocated from reservoir management	1,200,316	1,354,000	1,143,000
Total expenses before depreciation	21,472,719	31,191,000	51,101,000
Depreciation on power facilities	9,636,306	10,559,000	12,658,000
Amortization of electric plant acquisition adjustments	200,000	200,000	200,000
Depreciation allocated from reservoir management	1,066,052	1,118,000	1,182,000
Total expenses	32,375,077	43,068,000	65,141,000
Net income from power operations	26,068,211	23,496,000	20,000,000
MULTIPURPOSE RESERVOIR OPERATIONS (SCHEDULE B–3)			
Income	264,015	187,000	
Expenses:			
Direct expenses (schedule A–2)	3,580,713	3,979,000	
Distribution of administrative and general expenses (schedule B–2)	255,565	234,000	
Total expenses before depreciation	3,836,278	4,213,000	
Depreciation on multiple-use facilities	2,637,371	2,764,000	
Total expenses	6,473,649	6,977,000	(1)
Net expense of multipurpose reservoir operations before allocation	6,209,634	6,790,000	
Allocation to navigation, flood control, and power operations	−6,209,634	−6,790,000	
Net expense of multipurpose reservoir operations after allocation			
RESERVOIR MANAGEMENT (SCHEDULE B–3)			
Income			210,000
Expenses:			
Direct expenses (schedule A–2):			
Appropriated funds			2,318,000
Corporate funds			1,237,000
Total direct expenses			3,555,000
Distribution of administrative and general expenses (schedule B–2)	(1)	(1)	245,000
Total expenses before depreciation			3,800,000
Depreciation			3,035,000
Total expenses			6,835,000
Net expense of reservoir management before allocation			6,625,000
Allocation to navigation, flood control, power, and reservoir development			−6,625,000
Net expense of reservoir management after allocation			
RESERVOIR DEVELOPMENT			
Expenses:			
Allocated from reservoir management			189,000
Depreciation allocated from reservoir management			116,000
Total expense of reservoir development			305,000

See footnotes at end of table, p. 418.

STATEMENT B.—*Tennessee Valley Authority: Statement of income and expenses*—Continued

	1950 actual	1951 estimate	1952 estimate
CHEMICAL OPERATIONS			
Income:			
Sales of fertilizer	17,179,781	15,843,000	
Incidental income from sales of byproducts and other recoveries of costs	490,512	353,000	
Total income (statement A)	17,670,293	16,196,000	
Expenses:			
Cost, before depreciation, of products disposed of	16,430,043	15,485,000	
Other expenses	190,929	259,000	
Total	16,620,972	15,744,000	
Less products used in tests and demonstrations and other TVA programs	1,480,655	1,335,000	(3)
Total direct expenses (schedule A–2)	15,140,317	14,409,000	
Distribution of administrative and general expenses (schedule B–2)	374,098	140,000	
Total expenses before depreciation	15,514,415	14,549,000	
Depreciation	1,032,537	1,279,000	
Total expenses	16,546,952	15,828,000	
Net income from chemical operations	1,123,341	368,000	
FERTILIZER AND MUNITIONS RESEARCH AND DEVELOPMENT			
Expenses:			
Direct expenses (schedule A–2)	1,228,612	1,187,000	
Distribution of administrative and general expenses (schedule B–2)	64,838	53,000	
Total expenses before depreciation	1,293,450	1,240,000	(3)
Depreciation and depreciation adjustments	−6,689	47,000	
Net expense of fertilizer and munitions research and development	1,286,761	1,287,000	
FERTILIZER AND MUNITIONS DEVELOPMENT (SCHEDULE B–4)			
Income:			
Sales of fertilizer			18,805,000
Other income			419,000
Total income (statement A)			19,224,000
Expenses:			
Research on products and processes			1,000,000
Research in fertilizer use			404,000
Production and distribution before depreciation			16,026,000
Total direct expenses (schedule A–2):			
Appropriated funds	(4)	(4)	1,404,000
Corporate funds			16,026,000
Total			17,430,000
Distribution of administrative and general expenses (schedule B–2)			168,000
Total expenses before depreciation			17,598,000
Depreciation			1,447,000
Total expenses			19,045,000
Net income from fertilizer and munitions development			179,000
RESOURCE DEVELOPMENT ACTIVITIES (SCHEDULE B–5)			
Income:			
Income from graduated payment plan for fertilizer	255,118	200,000	194,000
Incidental income	52,804	50,000	2,000
Total income	307,922	250,000	196,000

See footnotes at end of table, p. 418.

STATEMENT B.—*Tennessee Valley Authority: Statement of income and expenses*—Continued

	1950 actual	1951 estimate	1952 estimate
Expenses:			
Direct expenses (schedule A–2):			
Appropriated funds	$4,531,785	$4,082,000	$2,286,000
Corporate funds	255,118	200,000	194,000
Total direct expenses	4,786,903	4,282,000	2,480,000
Distribution of administrative and general expenses (schedule B–2)	231,997	196,000	151,000
Total expenses before depreciation	5,018,900	4,478,000	2,631,000
Depreciation on general facilities	126,615	129,000	14,000
Contra of change in test-demonstration fertilizer inventories included above as direct expenses	−7,174		
Total expenses	5,138,341	4,607,000	2,645,000
Net expense of resources development activities	4,830,419	4,357,000	2,449,000
OTHER PROGRAMS			
Interest income from term sale of village properties: Income	18,210	5,000	5,000
Operation of Norris and Wilson villages: Adjustment of prior year's expenses	−11,550		
Maintenance of bridges financed by others on TVA dams: Expenses		2,000	3,000
Net income from other programs	29,760	3,000	2,000
Net income from power operations, less net expense of other programs	15,976,166	12,709,000	12,234,000

ANALYSIS OF EARNED SURPLUS

[Net income from power operations, less net expense of other programs]

Balance at beginning of fiscal year:			
Net income from power operations	$130,128,902	$156,197,113	$179,693,113
Net expense of other programs	115,299,795	125,391,840	136,178,840
Total	14,829,107	30,805,273	43,514,273
Net income or expense (−) for the year above):			
Power operations	26,068,211	23,495,000	20,000,000
Navigation operations	−2,796,445	−2,978,000	−2,822,000
Flood control operations	−2,331,521	−2,536,000	−2,371,000
Reservoir development			−305,000
Chemical operations	1,123,341	368,000	
Fertilizer and munitions research and development	−1,286,761	−1,287,000	
Fertilizer and munitions development			179,000
Resource development activities	−4,830,419	−4,357,000	−2,449,000
Other programs	29,760	3,000	2,000
Total	15,976,166	12,709,000	12,234,000
Balance at end of fiscal year:			
Net income from power operations	156,197,113	179,693,113	199,693,113
Net expense of other programs	125,391,840	136,178,840	143,944,840
Total	30,805,273	43,514,273	55,748,273

[1] See "Reservoir management" below.
[2] See "Multipurpose reservoir operations" below.
[3] See "Fertilizer and munitions research and development" below.
[4] See "Chemical operations" and "Fertilizer and munitions research and development" above.

SCHEDULE B–1.—*Tennessee Valley Authority: Statement of power operations*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
Income:			
Operating revenues:			
Sales of electric energy:			
Municipalities and cooperatives	$31,250,296	$37,100,000	$42,200,000
Commercial and industrial	11,789,768	15,300,000	15,600,000
Federal agencies	6,956,322	8,800,000	25,400,000
Electric utilities	5,536,571	3,100,000	100,000
Rural (retail)	76,378	66,000	6,000
Total outside sales	55,609,335	64,366,000	83,306,000
Rents and other revenues	474,902	286,000	295,000
Total operating revenues, exclusive of interdivisional sales and rents	56,084,237	64,652,000	83,601,000
Incidental income from recovery of operating expenses:			
Interchange power delivered	2,112,311	876,000	478,000
Sales promotion	150,541	170,000	185,000
Other	83,563	724,000	735,000
Subtotal	2,346,415	1,770,000	1,398,000
Interest from long-term receivables	708		
Total incidental income (1) [1]	2,347,123	1,770,000	1,398,000
Total income before amortization (statement A)	58,431,360	66,422,000	84,999,000
Amortization of prepaid rentals on Memphis steam plant (2) [1]	11,928	142,000	142,000
Total income	58,443,288	66,564,000	85,141,000
Expenses:			
Production:			
Generation	9,661,432	14,887,000	21,824,000
Purchased power	396,517	1,488,000	11,260,000
Interchange power received	679,981	3,372,000	5,579,060
Total production expense	10,737,930	19,747,000	38,663,000
Transmission	4,442,883	5,062,000	5,452,000
Distribution	17,994	20,000	1,000
Customers' accounting and collecting	50,332	67,000	68,000
Sales promotion	479,241	541,000	579,000
Payments in lieu of taxes	2,470,692	2,450,000	2,800,000
General operating expense	2,079,076	2,123,000	2,208,000
Interest on funded debt	938,451	864,000	779,000
Other expense	88,958	98,000	103,060
Total operating and interest expense	21,305,557	30,972,000	50,653,000
Less interdivisional sales and rents (3) [1]	1,689,946	1,726,000	1,411,000
Total direct expenses (schedule A–2)	19,615,611	29,246,000	49,242,000
Distribution of administrative and general expenses (schedule B–2)	656,792	591,000	716,000
Allocated from reservoir management	1,200,316	1,354,000	1,143,000
Total expenses before depreciation	21,472,719	31,191,000	51,101,060
Depreciation on power facilities	9,636,306	10,559,000	12,658,000
Amortization of electric plant acquisition adjustments	200,000	200,000	200,000
Depreciation allocated from reservoir management	1,066,052	1,118,000	1,182,000
Total expenses	32,375,077	43,068,000	65,141,000
Net income from power operations	26,068,211	23,496,000	20,000,000

[1] In accordance with the uniform system of accounts prescribed by the Federal Power Commission, TVA's published financial statements reflect these items as follows:
(1) Incidental income is deducted from the appropriate operating expense.
(2) Amortization of prepaid rentals is included in operating revenues.
(3) Interdivisional sales and rents are included in operating revenues.
These departures are made herein for clarity of presentation for budgetary purposes.

SCHEDULE B–2.—*Tennessee Valley Authority: Statement of administrative and general expenses*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
Expenses:			
Board of Directors	$78,719	$91,000	$96,000
Office of the General Manager	72,358	82,000	85,000
Budget staff	81,822	89,000	93,000
Washington staff	50,280	56,000	60,000
Information staff (including technical library service)	171,213	187,000	188,000
Division of Personnel	730,420	819,000	875,000
Division of Finance	852,556	954,000	1,023,000
Division of Law	218,837	245,000	258,000
Division of Property and Supply	996,668	1,154,000	1,238,000
Operation of medical and safety service units	314,378	359,000	370,000
Other administrative and general expenses	124,718	164,000	164,000
Total expenses	3,691,969	4,200,000	4,450,000

SCHEDULE B–2.—*Tennessee Valley Authority: Statement of administrative and general expenses*—Continued

DISTRIBUTION OF ADMINISTRATIVE AND GENERAL EXPENSES

	1950 actual		1951 estimate		1952 estimate			
					Appropriated		Corporate	
	Appropriated	Corporate	Appropriated	Corporate	Amount	Percent	Amount	Percent
To assets: Distributed to assets (schedule A–1)	$1,426,826	$652,014	$2,624,000	$337,000	$2,845,000	64	$299,000	7
To expenses:								
Navigation operations	15,467		12,000		12,000			
Flood-control operations	4,051		3,000		4,000			
Power operations		656,792		591,000			716,000	
Multipurpose reservoir operations		255,565		234,000				
Reservoir management					170,000		75,000	
Chemical operations		374,098		140,000				
Fertilizer and munitions research and development	64,838		53,000					
Fertilizer and munitions development					79,000		89,000	
Resource development activities	231,997		196,000		151,000			
Administrative and general expenses recovered		10,321		10,000	*		10,000	
Total distributed to expenses (schedule A–2)	316,353	1,296,776	264,000	975,000	416,000	9	890,000	20
Total distribution, by funds	1,743,179	1,948,790	2,888,000	1,312,000	3,261,000	73	1,189,000	27
Total distribution	3,691,969		4,200,000		4,450,000	100		

SCHEDULE B–3.—*Tennessee Valley Authority: Statement of reservoir management for fiscal year 1952 and of multipurpose reservoir operations for fiscal years 1950 and 1951*

	Expenditures for comparable activities		1952 estimate
	1950 actual	1951 estimate	
Income:			
Income from reservoir land operations	$211,330	$179,000	$161,000
Income from recreational development			41,000
Incidental income from common operations	52,685	8,000	8,000
Total income	264,015	187,000	210,000
Expenses:			
Operations common to navigation, flood control, and power:			
Water-dispatching operations	499,480	549,000	499,000
Malaria control	826,500	777,000	720,000
Plant protection and services to visitors	597,119	793,000	901,000
Upkeep of roads and grounds	317,091	453,000	200,000
Operation of reservoir lands	658,386	623,000	437,000
Operation of backwater protection facilities	28,174	32,000	28,000
Engineering investigations and tests	422,887	434,000	300,000
System improvement studies	73,137	114,000	75,000
Other operations	24,190	24,000	23,000
Maintenance of structures and equipment	72,098	101,000	94,000
Maintenance of relocated highways and railroads	61,651	79,000	68,000
Total operations common to navigation, flood control, and power	3,580,713	3,979,000	3,345,000
Reservoir development:			
Fish and game investigations			50,000
Stream-sanitation investigations			68,000
Recreation development			92,000
Total reservoir development			210,000
Total direct expenses (schedule A–2):			
Appropriated funds			2,318,000
Corporate funds	3,580,713	3,979,000	1,237,000
Total	3,580,713	3,979,000	3,555,000
Distribution of administrative and general expenses (schedule B–2)	255,565	234,000	245,000
Total expenses before depreciation	3,836,278	4,213,000	3,800,000
Depreciation:			
Multiple-use facilities	2,637,371	2,764,000	2,919,000
Recreation facilities			113,000
Other general facilities			3,000
Total depreciation	2,637,371	2,764,000	3,035,000
Total expenses	6,473,649	6,977,000	6,835,000
Net expense of reservoir management	6,209,634	6,790,000	6,625,000

SCHEDULE B–3.—*Tennessee Valley Authority: Statement of reservoir management for fiscal year 1952 and of multipurpose reservoir operations for fiscal years 1950 and 1951*—Continued

ALLOCATION TO PROGRAMS

	Expenditures for comparable activities		1952 estimate
	1950 actual	1951 estimate	
Navigation operations:			
Net direct expenses	$1,099,817	$1,258,000	$1,054,000
Administrative and general expenses	85,188	78,000	75,000
Depreciation	769,005	802,000	847,000
Subtotal	1,954,010	2,138,000	1,976,000
Flood control operations:			
Net direct expenses	1,101,754	1,528,000	1,054,000
Administrative and general expenses	85,188	78,000	75,000
Depreciation	802,314	844,000	890,000
Subtotal	1,989,256	2,180,000	2,019,000
Power operations:			
Net direct expenses	1,115,127	1,276,000	1,068,000
Administrative and general expenses	85,189	78,000	75,000
Depreciation	1,066,052	1,118,000	1,182,000
Subtotal	2,266,368	2,472,000	2,325,000
Reservoir development:			
Net direct expenses			169,000
Administrative and general expenses			20,000
Depreciation			116,000
Subtotal			305,000
Total net expense	6,209,634	6,790,000	6,625,000

SCHEDULE B–4.—*Tennessee Valley Authority: Statement of fertilizer and munitions development*

[Fiscal year ending June 30, 1952]

Income:			
Sales of fertilizer:			
Federal agencies		$5,000	
Cooperatives and other distributors		18,800,000	
Total, sales of fertilizer		18,805,000	
Income from graduated payment plan		66,000	
Sales of byproducts and other income		353,000	
Total, income (statement A)			$19,224,000
Expenses:			
Research on products and processes (appropriated funds)		$1,000,000	
Research in fertilizer use (appropriated funds):			
Basic agronomic research	$150,000		
Engineering research in fertilizer application	25,000		
Farm testing	200,000		
Economic analysis	29,000		
Total, research in fertilizer use		404,000	
Production and distribution (corporate funds): Cost of products including depreciation and distributed, administrative, and general expenses:			
Products sold	$16,701,000		
Products used in testing	237,000		
Products transferred to other TVA programs	699,000		
Byproducts	344,000		
Total, cost of products	17,981,000		
Other expenses	250,000		
Gross cost of production and distribution	18,231,000		

SCHEDULE B–4.—*Tennessee Valley Authority: Statement of fertilizer and munitions development*—Continued

Expenses—Continued			
Less products transferred to other TVA programs	$609,000		
Less depreciation and administrative and general expenses included above	1,596,000		
Total, direct cost of production and distribution		$16,026,000	
Total, direct expense (schedule A–2):			
Appropriated funds		1,404,000	
Corporate funds		16,026,000	
Total		17,430,000	
Distribution of administrative and general expenses (schedule B–2)		168,000	
Total, expense before depreciation		17,598,000	
Depreciation on production facilities		1,447,000	
Total, expenses			$19,045,000
Net income from fertilizer and munitions development			179,000

SCHEDULE B–5.—*Tennessee Valley Authority: Statement of resource development activities*

[Fiscal years ending June 30, 1950, 1951, and 1952]

	1950 actual	1951 estimate	1952 estimate
Income:			
Income from graduated payment plan for fertilizer	$255,118	$200,000	$194,000
Incidental income	52,804	50,000	2,000
Total income	307,922	250,000	196,000
Expenses:			
Agricultural resource development:			
Appropriated funds	2,499,440	2,269,000	759,000
Corporate funds	255,118	200,000	163,000
Total	2,754,558	2,469,000	922,000
Forest resource development	773,450	693,000	374,000
Tributary watershed development:			
Appropriated funds			600,000
Corporate funds			31,000
Total			631,000
Mineral resource development	118,869	110,000	80,000
Recreational resource development	163,031	150,000	
Stream sanitation and public health	139,736	137,000	
Fish and game investigations	101,082	85,000	
Topographic mapping	463,969	358,000	300,000
Survey and studies of the Tennessee Valley	272,208	280,000	173,000
Total direct expenses (schedule A–2):			
Appropriated funds	4,531,785	4,082,000	2,286,000
Corporate funds	255,118	200,000	194,000
Total	4,786,903	4,282,000	2,480,000
Distribution of administrative and general expenses (schedule B–2)	231,997	196,000	151,000
Total expenses before depreciation	5,018,900	4,478,000	2,631,000
Depreciation on general facilities	126,615	129,000	14,000
Contra of change in test-demonstration fertilizer inventories (included above as direct expense)	−7,174		
Total expenses	5,138,341	4,607,000	2,645,000
Net expense of resource development activities	4,830,419	4,357,000	2,449,000

STATEMENT C.—*Tennessee Valley Authority Statement of financial condition (as of June 30, 1949, 1950, 1951, and 1952)*

	1949 actual	1950 actual	1951 estimate	1952 estimate
ASSETS				
Cash and cash funds:				
With U. S. Treasury	$20,859,222	$42,782,317		
In U. S. Treasury collection account	1,771,436	15,053,019	$108,468,065	$66,865,890
Total cash and cash funds	22,630,658	57,835,336	108,468,065	66,865,890
Current receivables:				
Wholesale power customers	3,913,392	4,260,620	4,300,000	4,300,000
Chemical products customers	897,265	824,575	850,000	850,000
Federal agencies	756,013	964,889	950,000	950,000
Employees and agents	451,869	91,230	100,000	100,000
Other	423,508	165,034	200,000	200,000
Total current receivables	6,442,047	6,306,348	6,400,000	6,400,000
Long-term receivables:				
Municipalities and cooperatives	17,282	11,497	5,497	497
Term sales of village properties	1,181,135	135,819	114,819	93,819
Total long-term receivables	1,198,417	147,316	120,316	94,316
Commodities, supplies, and materials:				
Power materials and supplies	7,639,544	7,548,984	7,290,984	8,508,984
Chemical products manufactured and in process	2,309,950	1,568,398	2,452,398	2,452,398
Chemical raw materials and supplies	3,112,023	3,019,341	3,238,341	3,238,341
Test-demonstration fertilizer stored with distributors	103,409	110,583	110,583	110,583
Materials and supplies for general use	517,859	437,627	437,627	437,627
Total commodities, supplies, and materials	13,682,785	12,684,933	13,529,933	14,747,933
Land, structures, and equipment:				
Multiple-use dams	594,459,506	636,535,339	672,322,000	686,632,000
Single-use dams	46,470,063	46,373,315	46,274,000	46,274,000
Steam production plants	28,823,615	28,987,431	28,988,000	98,988,000
Other electric plant	145,507,899	161,590,693	186,776,000	223,236,000
Unamortized acquisition adjustments	774,321	574,321	374,321	174,321
Chemical plant	15,842,648	31,029,719	33,901,000	36,401,000
General plant	14,036,035	15,171,191	15,846,000	17,046,000
Construction in progress	76,635,329	60,757,664	161,668,479	343,197,282
Investigations for future projects	296,839	416,066	445,939	663,136
Total land, structures, and equipment	922,846,255	981,435,739	1,146,595,739	1,452,611,739
Less portion charged off as depreciation:				
Multiple-use dams	55,400,258	61,076,855	67,536,000	74,369,000
Single-use dams	7,679,146	7,980,348	8,485,000	9,090,000
Steam production plants	10,687,376	11,497,252	12,320,000	14,137,000
Other electric plant	25,708,198	27,465,093	30,461,000	34,298,000
Chemical plant	7,132,001	12,675,017	13,668,000	14,882,000
General plant	5,278,245	5,997,800	6,309,365	6,722,365
Total portion charged off as depreciation	111,885,224	126,692,365	138,779,365	153,498,365
Net land, structures, and equipment	810,961,031	854,743,374	1,007,816,374	1,299,113,374
Total assets	854,914,938	931,717,307	1,136,334,688	1,387,221,513
LIABILITIES				
Current liabilities:				
Accounts payable	6,321,819	8,156,509	14,490,000	16,510,000
Employees' accrued leave	6,250,772	6,534,196	6,550,000	6,550,000
Unpaid payroll	1,031,281	949,136	1,000,000	1,000,000
Employee savings bond collections	48,335	45,673	50,000	50,000
Accrued bond interest payable to U. S. Treasury	193,125	367,500	310,000	290,000
Retirement system	246,380	610,605	600,000	600,000
Total current liabilities	14,091,712	16,663,619	23,000,000	25,000,000
Advance collection of rent on Memphis steam plant		1,133,170	991,170	849,170
Total liabilities	14,091,712	17,796,789	23,991,170	25,849,170

STATEMENT C.—*Tennessee Valley Authority Statement of financial condition (as of June 30, 1949, 1950, 1951, and 1952)*—Continued

	1949 actual	1950 actual	1951 estimate	1952 estimate
INVESTMENT OF U. S. GOVERNMENT				
Interest-bearing invesement: Bonds held by U. S. Treasury	$51,500,000	$49,000,000	$44,000,000	$40,000,000
Non-interest-bearing investment:				
Appropriations by Congress	766,562,331	827,603,981	1,025,317,981	1,273,885,981
Less:				
Repayments to U. S. Treasury	33,970,333	38,144,796	42,144,796	49,917,971
Savings under sec. 1214			3,000,000	3,000,000
Net appropriations	732,591,998	789,459,185	980,173,185	1,220,968,010
Property transfers from other agencies	41,902,121	44,656,060	44,656,060	44,655,060
Net appropriations and property transfers	774,494,119	834,115,245	1,024,829,245	1,265,624,070
Earned surplus:				
Net income from power operations	130,128,902	156,197,113	179,693,113	199,693,113
Net expense of other programs	115,299,795	125,391,840	136,178,840	143,944,840
Total earned surplus	14,829,107	30,805,273	43,514,273	55,748,273
Total non-interest-bearing investment	789,323,226	864,920,518	1,068,343,518	1,321,372,343
Total investment of U. S. Government	840,823,226	913,920,518	1,112,343,518	1,361,372,343
Total	854,914,938	931,717,307	1,136,334,688	1,387,221,513

SCHEDULE C–1.—*Tennessee Valley Authority: Repayment of investment in power program under provisions of the Government Corporations Appropriation Act, 1948*

Repayable investment as of July 1, 1947, fixed by Government Corporations Appropriation Act, 1948, approved July 30, 1947 (61 Stat. 572)			$348,239,240
Additions to repayable investment:			
To June 30, 1950		$17,745,841	
Fiscal year 1951		28,470,994	
Fiscal year 1952		102,469,655	
Total additions			148,686,490
Total repayable investment to June 30, 1952:			496,925,730
Repayments:	Bond redemptions	Other	Total
Actual to June 30, 1950 [1]	$7,500,000	$14,000,000	$21,500,000
Estimated fiscal year 1951	5,000,000	4,000,000	9,000,000
Estimated fiscal year 1952	4,000,000	5,000,000	9,000,000
Total repayments to June 30, 1952	16,500,000	23,000,000	39,500,000
			39,500,000
Estimated repayable investment at June 30, 1952			457,425,730
Repayments required under Government Corporations Appropriation Act, 1948:			
On investment at July 1, 1947:			
6-year period ending June 30, 1958		$47,559,810	
10-year period ending June 30, 1968		87,059,810	
10-year period ending June 30, 1978		87,059,810	
10-year period ending June 30, 1988		87,059,810	
			308,739,240
On additions to repayable investment since July 1, 1947:			
40-year period ending June 30, 1990		17,745,841	
40-year period ending June 30, 1991		28,470,994	
40-year period ending June 30, 1992		102,469,655	
			148,686,490
Total repayments required June 30, 1952, to June 30, 1992			457,425,730

[1] In addition to repayments under the provisions of the Government Corporations Appropriation Act 1948, bond redemptions of $8,572,500 and other repayments of $15,059,019 were made prior to fiscal year 1948.

GENERAL STATEMENT

Senator HILL. We have with us this morning Mr. Gordon R. Clapp and other representatives of the Tennessee Valley Authority. Mr. Clapp, do you have a prepared statement on your budget estimate, or do you want to talk to us informally?

Mr. CLAPP. I have an informal statement that I would like to make summarizing the appropriation request which is before this committee.

Senator HILL. Suppose you state how much you are asking for, and then proceed to make your statement in your own way in support of the request.

Mr. CLAPP. Thank you.

AMOUNT REQUESTED

Our request for the fiscal year 1952 is for a new appropriation in the amount of $248,568,000. This would be devoted largely to the prosecution of our present construction program, primarily for additional power supply, and would also make it possible to make some new installations of power units in existing facilities and to start an additional steam plant.

CONSTRUCTION PROGRAM.

Of this total amount of $248,500,000, $174,000,000 would permit us to continue construction on 18 steam electric units now going forward in 4 steam plans, 8 hydro units to go in existing dams, and to continue the construction of 2 dams started last year, the Boone Dam and the Fort Patrick Henry Dam on the upper reaches of the Holston River.

The amount required for the continuation of that construction program, which will provide about 2.5 million kilowatts of power capacity, is $174,660,000.

Senator HILL. That is for these additional installations, both steam and hydro?

Mr. CLAPP. That is right, sir, to continue the construction of steam and hydro installations already begun.

Senator ELLENDER. Will you be able to tell us how much of that $248,000,000 would be necessary for those installations that you are talking about now?

Mr. CLAPP. Yes, sir, Senator. The ones that I just listed, the 18 steam electric units already under way, the 8 hydro units in existing dams already under way, and the 2 dams already under way would require $174,660,000 in 1952.

Senator CORDON. When you say in 1952, it will take more than that?

Mr. CLAPP. Yes, sir; it will take more to complete.

Senator CORDON. Somewhere, will you break it down and give us the amount of additional national defense power you are required to supply, where and when?

Mr. CLAPP. We will be glad to, Senator.

Senator CORDON. Just national defense, because the rest of the country needs power and is not getting it, and as far as I am concerned TVA will not get it until they do.

WIDOWS CREEK STEAM PLANT

Mr. CLAPP. In addition to the continuation of power installations we propose additions and new projects in 1952 as follows: We propose to add two steam units to the Widows Creek steam plant.

Senator ELLENDER. Which one is that?

Mr. CLAPP. At the Widows Creek location.

Senator SALTONSTALL. Where is that?

Mr. CLAPP. In northeast Alabama just below the Tennessee-Alabama State line.

Senator SALTONSTALL. Does that supply the atomic installation at Oak Ridge?

Mr. CLAPP. Yes, sir, the Widows Creek steam plant was first appropriated for under a supplemental appropriation of March 1950 to take care of part of the expansion of the Oak Ridge installations. Our proposal for 1952 would start construction on two more units for the Widows Creek plant which is now going forward with four units.

Senator ELLENDER. When you say two more units, do you refer to steam or hydroelectric units?

Mr. CLAPP. Steam, Senator.

Senator ELLENDER. How many steam units do you contemplate all together?

Mr. CLAPP. This program would provide for six at Widows Creek.

Senator ELLENDER. And that has already been authorized?

Mr. CLAPP. Yes, that plant with four units has already been started. It was commenced in April 1950.

Senator ELLENDER. Is that facility to be used to firm hydroelectric power, or to supply additional power?

Mr. CLAPP. It will be additional power, Senator. The reason for starting the Widows Creek steam plant last year with supplemental appropriations was to make it possible for the TVA to meet the expanding power requirements of the AEC at Oak Ridge.

STEAM PLANTS SERVING DEFENSE POWER LOAD

Senator ELLENDER. So that we are getting away from the theory that we talked about several years ago that we would permit the building of steam plants to firm hydroelectric power that was in contemplation?

Mr. CLAPP. Senator, we are getting away from it to this extent: many of these steam installations that are going in now are to serve specific national defense loads.

Senator ELLENDER. I understand that is the story. In other words, that reason is being urged in order to get the Government into building steam plants in that locality?

Mr. CLAPP. Steam capacity on the TVA system in substantial quantities will of course continue to function in firming up seasonal hydro.

Senator ELLENDER. Would you be able to tell us, or give us an idea, of how much more electricity will be developed or generated by these steam plants than will be necessary to merely firm the hydroelectric power that you propose to generate in the whole of the Tennessee Valley Authority?

TOTAL POWER CAPACITY

Mr. CLAPP. Senator, let me break it down this way: Under the program that we are now building, plus the proposed projects that would be begun in 1952 that I just started to describe, the power system will have by 1954 a total capacity of more than 6,500,000 kilowatts; that is, steam and hydro.

Senator ELLENDER. Yes.

Mr. CLAPP. Of that amount the atomic energy program both at Oak Ridge and at Paducah, Ky., where a new big facility is going in, will require, including reserves, over 1,250,000 kilowatts of steam capacity.

Senator SALTONSTALL. A million and a quarter kilowatts of steam as opposed to?

Mr. CLAPP. I should say a million and a quarter kilowatts of power, Senator. One important point in this question of how much steam firms up how much hydro is a point that you developed at some length, Senator Cordon, in an earlier session.

Senator CORDON. It's all a matter of judgment.

LOAD CHARACTERISTICS OF DEFENSE INSTALLATIONS

Mr. CLAPP. One of the more important factors is the load characteristics of the operations we are supplying with power. Now an atomic energy operation such as we supply has a very high load factor, it operates and requires the power practically all the time around the clock without variation. Steam capacity operated continuously is a logical source for that kind of operation. In these times, operations of the defense industries, such as aluminum, cannot be interrupted because of defense demands, even though we may have rights under our contracts to make seasonal interruptions in the supply. In normal times they operate part of the year, close down their pot lines when power is not available, and then start up again when we have more interruptible power available for them. About 400,000 kilowatts of the aluminum load in the area is load of a high load factor and quite appropriately should come from steam rather than from hydro capacity. Also some of the chemical and electric furnace process plants, operate on a very high load factor basis. When we add all of such national defense power requirements together, including projected increases by 1954 we get a figure of about 2.5 million kilowatts of high load factor loads that should be provided from steam capacity operating continuously.

Senator ELLENDER. All right. This aluminum plant has been in there quite a while?

Mr. CLAPP. That is correct, Senator.

Senator ELLENDER. And it was anticipated that it would get its power from the development of hydroelectric power; is that true?

Mr. CLAPP. That is true to a great extent.

Senator ELLENDER. So that you now find yourselves in a position where you are advocating steam power in order to take care of this previously existing aluminum plant; is that right?

Mr. CLAPP. That is correct, with this qualification, Senator, for that part of their operation that they now want to operate on a

continuous basis. The old, or let us say preemergency way, of operating an aluminum reduction plant, that makes pig aluminum out of alumina, was to have part of their requirement in firm power, power available the year around, around the clock, with no interruption rights on the part of the supplier. Then a large part of their load in addition to that supplied with firm power was supplied with interruptible power. Under those normal methods of operations hydro power could satisfactorily supply that need. Now as we move into a period when seasonal interruptions must become less frequent as more and more production is required out of existing aluminum-production facilities, and the expansion programs that are contemplated assume production of aluminum closer to 100 percent of their capacity, then the power requirements must be supplied on a continuous basis, and that ought to be met from steam capacity to the fullest possible extent.

If we break our load down, therefore, into two general categories, the loads having a high load factor requiring continuous supply without much variation from the peak amount, steam capacity should provide most of that. With respect to the municipalities and the cooperatives whose load has a relatively low load factor, say around 50 percent, meaning that there are variations in power use from high requirements during the day and very much less at night, the hydro capacity is better suited for supplying it. That was what was originally contemplated in the development of this hydro system with preference to the consumers of the municipal and rural electric cooperatives.

Now coming back to that 6,500,000 kilowatt figure, if you break out of that the 2,500,000 kilowatts that you might call straight defense——

Senator ELLENDER. Must power.

Mr. CLAPP. That is right, high load factor power requirement, that would leave about half a million kilowatts of steam capacity in our system related to the hydro system capacity of about 3,500,000 kilowatts. Now I think right at that point you see where I am coming out on this question of firming up.

HYDROELECTRIC AND STEAM POWER CAPACITY

Senator ELLENDER. Well, of the 6,000,000 kilowatts that you are talking about now, only 2,500,000 will be hydroelectric?

Mr. CLAPP. Three and a half million, Senator.

Senator ELLENDER. Three and a half?

Mr. CLAPP. Yes.

Senator ELLENDER. And the reset would be steam?

Mr. CLAPP. That is right.

Senator ELLENDER. Will it require any additional steam facilities than those now in contemplation?

Mr. CLAPP. As our loads expand——

Senator ELLENDER. You mean as you expand forward, just take on more customers, of course, you would have to naturally increase, is that the idea?

EXPANSION OF POWER CAPACITY

Mr. CLAPP. If you are suggesting that our expansion comes through expanding area, that is not the case. If you are suggesting that as new customers develop within the region that we are now serving and as their loads increase we will need more power capacity, why, that is correct; we will expand.

Senator ELLENDER. You cannot get that additional capacity except through steam. In other words, you will have exhausted the development of power from falling water?

Mr. CLAPP. Pretty largely so with this major exception, the Cumberland River which lies just to the north of the Tennessee Valley is being developed now by the Army engineers. These estimates of 6,500,000 kilowatts being the total amount available in our system by 1954, includes the present plants on the Cumberland, but in addition to the present plan on the Cumberland there is at least another half-million kilowatts of hydro development to come.

Senator ELLENDER. After you develop all the possible power from falling water how much more electricity will be developed through steam facilities that are necessary to firm the power developed through falling water? .I am going back to my first question.

Mr. CLAPP. Yes.

Senator ELLENDER. You said a half-million a while ago when you took into consideration the must power as I understood you. Now after you develop all the power that could be possibly generated from falling water how much more steam power will you have over and beyond what is needed to firm the hydroelectric power. Do you get what I am driving at?

Mr. CLAPP. Yes.

Senator ELLENDER. In other words, I am trying to get you back to your original theme of 3 or 4 years ago when we discussed this. The records will show that I voted for these steam plants on the assumption that they were necessary to firm the electricity that was to be developed through hydroelectric facilities. Now we are going far afield in developing many thousands of kilowatt-hours through the erection of steam plants, which is a little away from your original plan.

Mr. CLAPP. Developments of course, Senator, required to supply power needs of such operations as atomic energy have had a great deal to do with that. But let me go back to the question that was before this committee at the time we proposed the Johnsonville steam plant. We were talking about a hydro system that had plenty of room in it——

Senator ELLENDER. Plenty of what?

Mr. CLAPP. Plenty of room in it for additional steam capacity to firm up available hydro.

Senator CORDON. As a matter of fact, it is exactly the other way, you are using hydro firmed steam.

Mr. CLAPP. Senator, I think that is correct only if you take certain types of loads and relate them to certain types of sources of power. There will be instances in which a spare generator in a hydro plant will

be used to handle peak loads. There is no question about that, but I think the important distinction to keep in mind is that as these large defense loads have come on requiring continuous power, round the clock, round the calendar, the obvious type of power supply that should meet that requirement is the most economical steam you can build.

Senator CORDON. There cannot be any question about that. You have to have it all the time, and you have to have a source that can deliver it, and your water cannot.

Mr. CLAPP. That is correct. In deducting this 2.5 million kilowatts of steam that will be represented in this total of 6,500,000 kilowatts——

Senator CORDON. This will be a total of 100 percent load factor, if you want to run it that way?

Mr. CLAPP. It is true, Senator; the steam could produce 2.5 million kilowatts all the time.

LOAD DELIVERY FROM INSTALLED HYDROELECTRIC CAPACITY

Senator CORDON. Now while you are on that point I want the record to show what with respect to the 3.5 million installed capacity of hydro, given a medium year in your area, what fraction of the year will that installed capacity deliver a maximum 3.5 million kilowatts of energy around the clock?

Senator HILL. Senator, will you state that question again? I did not get it.

Senator CORDON. I want to determine what portion of the actual 100 percent or full-load factor energy in an average year can be delivered from the 3.5 million installed kilowatt capacity of hydro.

Senator SALTONSTALL. And you ask that question optimistically and not cynically?

Senator CORDON. Whether optimistically or cynically I ask it to get facts.

Mr. CLAPP. I am going to ask Mr. Wessenauer to give you the estimate on that.

Mr. WESSENAUER. The 3.5 million kilowatts of hydro capacity operated continuously could only produce about half that amount in average kilowatts. In other words, the 3.5 million kilowatts would produce varying amounts of power throughout the year with an average output of about 1,750,000 kilowatts. Of course, actually we use the capacity to supply peak loads so that effective use is made of the 3.5 million kilowattrs during most of the peak hours.

Senator CORDON. That means that the 3.5 million installed capacity is equal to 1,750,000 in energy with 100 percent load factor, is that what you are telling me?

Mr. WESSENAUER. That is the equivalent.

Senator CORDON. You must have some real stores in that country and draw it down the river?

Mr. WESSENAUER. We have over 10 million acre-feet of storage capacity for power purposes.

Senator SALTONSTALL. Mr. Chairman, if our colleagues are through on this line I would like to start on another line.

Senator HILL. Do you want to let Mr. Clapp finish his statement now?

Senator SALTONSTALL. I was trying to get the financial picture in front of me.

Senator CORDON. I am sorry I interrupted Senator Ellender, but it seemed to me that we were talking about installed capacity here when that was nothing but a hunting license. It is the delivery from the installed capacity that we have to deal with.

Senator HILL. You mean a bird in the hand is worth two in the bush, Senator?

Senator CORDON. If you want to put it that way.

Senator ELLENDER. Senator, you made a pertinent remark a moment ago which was acknowledged to be the fact by Mr. Clapp, and that is that just the reverse has taken place now with respect to the firming of this power.

Senator CORDON. Senator, in other words, we have the picture when we know that the plans contemplate 2.5 kilowatts of installed usable continuous capacity in steam against which we have 1,750,000 in hydro.

DISCUSSION OF STEAM PLANT CONSTRUCTION PROGRAM

Senator ELLENDER. That is right. So that we are simply veering away from the original plan that we discussed here 3 years ago, and I am very, very much disappointed.

Senator CORDON. I think it is fair to say, however, that the 1,750,000 as we measured here is only used as a factual data for comparison purposes because it will not be used that way, and there will be a far greater value achieved from it because it will not be used in development of continuous maximum energy.

Senator ELLENDER. Some time ago, if you recall, when we discussed the matter of providing hydroelectric power for the Paducah plant, well, it did not make much difference whether we let the TVA build it, or let the Government build it in connection with this Paducah plant. Now let me say that that may be excusable, but for us to continue to generate power from electricity merely to supply this area that you have described a while ago is contrary to the plan originally contemplated and that we discussed here 2 or 3 years ago. Many of us, and I for one, voted for the Johnsonville steam plant, on the assumption that it would be erected simply for the firming of hydroelectric power and if it had not been because of that understanding, I would not have voted for it.

Mr. CLAPP. Senator, you can be sure that the first three units provided in the Johnsonville steam plant were not only put in for that purpose, but will be used for that purpose.

Senator HILL. Your Widows Bar steam plant is in the same category as the Paducah plant?

Mr. CLAPP. Yes, sir.

Senator HILL. It was a question as to whether or not the Atomic Energy Commission would build a steam plant or whether they would ask you to build it?

Senator ELLENDER. I am willing to go along with that, Senator.

Senator HILL. I want to bring out the fact that a lot of this power is in this category, is it not?

Senator ELLENDER. You mean it continues to be put into that category?

Senator HILL. The record will show that it is in that category; is that right, Mr. Clapp?

Mr. CLAPP. That is right, Senator. I would like to make one further comment on this question of the extent this system may seem to be departing from or modifying its original purpose in putting in steam along with hydro. If you will just let me refer again to those figures and correlate it with the point that Senator Cordon was making here a moment ago, we visualize by 1954 a 6,500,000 kilowatt system. Of that about 3.5 million will be hydro. Of the 3 million kilowatts of steam capacity, 2.5 million is related to high load factor national defense loads requiring a supply of power around the clock right up to capacity all the time.

Senator ELLENDER. But you are bringing in a facility that was there quite a while ago, and that is the aluminum plant. You are using that argument and taking a plant that has been there long before this new idea of yours developed.

UTILIZATION OF STEAM TO FIRM UP HYDRO POWER

Mr. CLAPP. Senator, only because their requirements for power, because of national defense purposes, will not permit the interruptions in supply, which interruptible power contracts assumed. Now if you take the 3.5 million kilowatts of hydro in the light of Senator Cordon's observation about the amount of time during the year in which that could produce energy equivalent to that capacity, it still leaves us lots of room in otherwise seasonal or fluctuating water power to add steam for the purpose of firming up hydro. A system of 3.5 million kilowatts of hydro capacity that is producing half as much energy easily could include an equivalent amount of steam capacity, 3.5 million kilowatts and use that amount of steam part of the time to firm up the hydro that would otherwise be available only part of the time. Some systems utilize relatively greater amounts of steam capacity in relation to hydro.

Senator CORDON. You do not really do that.

ADDITIONAL STEAM PLANTS FOR DEFENSE POWER LOADS

Mr. CLAPP. In actual operations, Senator, there are many variations from that, depending upon the characteristics of the load as of any given operating period, depending on what kind of a water year we have, depending on the nature of the peaks, season by season. But the fundamental idea is there and is still being operated on. The hydro capacity in the system is devoted primarily to supplying the municipal and rural cooperative loads of a relatively low load factor, adding steam to that hydro system to firm up otherwise interruptible hydro. Then for these national defense loads that cannot be interrupted, where the load factor is crowding 100 percent, additional steam facilities are put in and devoted to that purpose.

Senator CORDON. So as you said before when you were here, so far as the Paducah plant is concerned or any other additional defense installation in that area requiring a high load factor power supply, which in my language is a continuous or more nearly continuous even

power supply around the clock and around the year, you in truth divorce that entirely from your basic activity in TVA and set up a steam plant which is dedicated to the use of that facility as long as that facility needs that high level of continuous energy?

Mr. CLAPP. To a large extent, Senator, that is correct. I would want to qualify it and I do not want to seem to be quibbling on these questions, but if that plant for the Paducah atomic energy facility were the only power facility able to serve that plant you would have to build it differently; you would have to build it larger in order to take care of the same load.

POWER BACKLOG FROM TRANSMISSION SYSTEM

Senator CORDON. You have the grid connection, and it is the flowing power in the area.

Mr. CLAPP. That is right. Each plant is tied into the whole transmission system, and the system can provide back-up and so on.

Senator HILL. The system is stronger than individual plant would be?

Mr. CLAPP. That is right.

Senator HILL. The system provides a greater backlog of power, so to speak?

Mr. CLAPP. That is right.

Senator HILL. In other words, if you built this plant to stand by and of itself you have to build it larger having in mind that that you would not be able to connect it into a reserve?

Mr. CLAPP. That is right. You would have a larger investment per kilowatt of load and, therefore, the power would cost more.

FACTORS IN COSTS OF OPERATING STEAM PLANTS

Senator CORDON. So far as your steam is concerned it is true, is it not, that because of the added cost of operation incident to starting the plant, getting your boilers up to the point where they are efficient, and then the loss sustained when you stop that plant and drop your heat level or your generating level and so forth, that as a practical proposition you are going to run your steam at the highest level of efficiency and then turn to your hydro to peak it or add the necessity because of the hydro, you turn the generators, and you pull the switch, and they stop. The result is that you can supply added power from your hydro reservoir far more cheaply, far more quickly when it is needed than you can from steam where you have to stop your steam plants and start them and so forth?

Mr. CLAPP. That is right, Senator, with respect to your most economical steam plants. There are steam plants on this system that we will not operate except under very adverse water conditions, some of the acquired plants whose efficiency is very low. But the efficient steam plants, which means the newest steam plants, will operate in relation to the hydro system very much as you described.

Senator ELLENDER. That is an abandonment of the original purpose.

Mr. CLAPP. No, Senator; I do not think that represents an abandonment of the original purpose of the TVA. It does reflect a different

kind of increment to our system devoted to a special kind of load, but we still have and will continue to have for a number of years to come a large margin in our hydro system that will require additional steam to firm it up.

Senator SALTONSTALL. Mr. Chairman, may I start on a different line of inquiry? Are you through, Senator Ellender?

Senator ELLENDER. I do not believe there is any use in laboring the question further.

Senator HILL. Of course so far as these defense projects like your atomic energy and that business, they came to you, you did not go to them?

Mr. CLAPP. That is right.

Senator HILL. They came on into the valley and said, "We want you to do this," is that not right?

Mr. CLAPP. That is right, Senator. They said, "We have certain plans, certain schedules, and certain power requirements. Will you and can you supply the additional power?" We said that it will mean building facilities to do it. We came to the Congress, requested appropriations and explained the program. The appropriations were made, and we are building the plants.

Senator HILL. Then the truth is on that plant near Paducah, what they did was to work out the supply power where you would furnish half of it, and the private power companies would furnish the other half?

Mr. CLAPP. That is right, Senator.

Senator ELLENDER. I have no quarrel with that, Senator, as I have stated.

Senator HILL. I appreciate that, but I just want to make it clear that you are dealing here in a way with two problems, one was the problem that was envisioned when we passed the act.

Mr. CLAPP. That is right.

Senator HILL. Then we are dealing with another problem that was injected or superimposed into the picture because of your defense angle.

Mr. CLAPP. That is right.

Senator ELLENDER. Senator, the point I was trying to bring out is that he finds it necessary now to get steam power to operate the aluminum plant that was there long before, say, the last 4 or 5 years. At the time it was there you wanted to firm the power in order to give those people the power continuously. Now you find it necessary, in order to be able to give them power continuously, that you need steam.

Mr. CLAPP. Senator, it has not evolved quite that way.

Senator ELLENDER. There is no use laboring the point any further. Senator Saltonstall wanted to ask a question, I believe.

Senator HILL. Let Mr. Clapp finish.

Mr. CLAPP. I would like to make it as clear as I can that the aluminum loads under pressing emergency conditions begin to change.

Senator ELLENDER. You mean because of expansion?

CONTINUOUS OUTPUT REQUIRED FOR ALUMINUM PRODUCTION

Mr. CLAPP. No, because of the pressures put on aluminum for continuous output. In 1941, for example, even before we got into the Second World War, we were called upon by the national defense

agencies to keep the aluminum companies going without interruption even though our contracts allowed us interruption rights of substantial character. But the national defense requirements agency said, "We have to have more aluminum for more airplanes. You, the power supplier, TVA, must not let them interrupt their operation by applying your contract rights." We then had to step in with an additional power supply over and above what they had contracted for.

In the current situation the requirements that are being put upon the aluminum industry are such that they are being pressed to operate every hour they can, and the nature of their load is changing. They cannot get along with interruptible power. That begins to shift then over to the kind of power that is continuous around the clock, around the calendar.

Senator CORDON. How much in kilowatts of energy do they use?

Mr. CLAPP. I am sorry, I did not hear.

Senator CORDON. How much in kilowatts of energy do they use?

Mr. WESSENAUER. The aluminum plants in the valley use 400,000 kilowatts.

Senator HILL. Around the clock?

Mr. WESSENAUER. Around the clock.

EXTRA POWER ACQUIRED FROM ADJACENT SYSTEMS

Senator MAYBANK. You talked about getting that extra power, where did you get it?

Mr. CLAPP. In 1941 we got it from adjacent systems.

Senator MAYBANK. A lot of it came from Carolina?

Mr. CLAPP. A lot of it came from Carolina.

Senator MAYBANK. Now there is not enough to run in Carolina, or could you get it if it runs short? I want the record to show because I know you made an agreement with the Duke Power Co. to haul a lot of that power over the mountains.

Mr. CLAPP. That is correct. We got power from any of our neighbors we could get it from.

Senator MAYBANK. At the same time you were hauling it away we were closing industries down in my State. I know I had several conferences in connection with the curtailment of power because of this aluminum. The national defense demanded that you keep those aluminum plants running, is that right?

Mr. CLAPP. That is correct.

Senator MAYBANK. Is there power now that you can get from the Carolinas?

Mr. CLAPP. Very little, if any.

Senator MAYBANK. We do not have the power down there for the plant they are building on the Savannah River.

CRITICAL POWER SUPPLY AREAS

Mr. CLAPP. The whole Southeast next to the Northwest, Senator, is facing the most severe pinch on power supply for the next few years of any other region in the country.

Senator MAYBANK. It is holding back the development of industry in certain sections.

Mr. CLAPP. That is right.

Senator MAYBANK. You were talking about aluminum, I know Mr. Reynolds, and I am familiar with Alcoa. I have talked to Mr. Reynolds and Mr. Cassidy. I know at one time they were willing to put in a plant in Carolina, but there was not adequate power available, so they told the Public Service Commission.

Senator HILL. In other words, what you are saying is that the aluminum situation is kindred to the atomic energy situation?

Mr. CLAPP. That is correct, they are closely related.

Senator HILL. You cannot carry an atomic bomb unless you have an airplane, and to have an airplane you have to have aluminum?

Mr. CLAPP. That is correct.

Senator HILL. So Mr. Wilson down here wants you to tell them that you have the power for around-the-clock operation?

Mr. CLAPP. That is right.

Senator MAYBANK. They have these certificates of necessity and our information is that the main thing is that they have the metal, aluminum, steel, and so forth?

Mr. CLAPP. That is right. Senator, as they invest and as the Government may help to underwrite additional aluminum capacity——

Senator MAYBANK. They are doing it today.

Mr. CLAPP. That is right. What I was going to say is that it apparently does not make sense to build production capacity that is used only part of the time. In order to use it all the time they have to have firm power.

Senator HILL. The power is the key to around-the-clock production?

Mr. CLAPP. That is right, sir.

Senator HILL. To have that around-the-clock production you have to have around-the-clock power, do you not?

Mr. CLAPP. That is correct, sir.

AMOUNT REQUESTED AND AVAILABLE FROM CORPORATE FUNDS

Senator SALTONSTALL. Mr. Chairman, I would like to ask this question. As I see it, Mr. Clapp, to try to understand these figures you contemplate spending, and I am looking at page 546 of the House hearings, you are planning to spend $344,745,000 in 1952 as opposed to $270,255,431 in 1951. Now of that you expect to get $248,568,000 from appropriations and $96,177,000 from corporate earnings and corporate funds?

Mr. CLAPP. That is correct, Senator.

CAPITAL ACQUISITION COSTS

Senator SALTONSTALL. Now you are planning to spend, let us look at the capital first, the figures that I cannot correlate. On page 547 under breakdown of obligations by objects you use 09 equipment, $121,986,000; lands and structures, $2,167,000. Now that would seem to be your capital acquisition costs in 1952. Yet as I read other figures it would seem to show that you were going to spend more than that for capital expenditures, a total of $310,455,000, of which you would get $241,732,000 from an appropriation and the balance from corporate funds in the amount of $24,869,000; is that correct? How do you correlate your expenditure for capital in your breakdown of obli-

gations by objects and these other figures which would seem to show, detailed out, amounting to $310,000,000?

AMOUNT FOR PERSONAL SERVICES

Mr. CLAPP. Senator, in the breakdown by objects from which you cited an item for equipment and lands and structures, a large portion of many of those other objects are capitalized into the construction of a project. For example, 01, personal services, $78,886,000; a large portion of that $78,000,000 is for construction labor that is building dams and steam plants and transmission lines. Therefore, that would appear as a capital investment over in the larger figure.

Senator SALTONSTALL. I see. So that the breakdown of obligations by objects, showing the total expenditures approximately then, am I correct in saying that $310,455,000 of those will be put into your capital account ultimately?

Mr. CLAPP. Let me make sure that I get your derivation of the $310,000,000.

Senator SALTONSTALL. I am getting that from this Tennessee Valley Authority budget program.

Senator HILL. What page are you on, Senator?

Senator SALTONSTALL. Page 549 of the House hearings.

Mr. CLAPP. That is correct, Senator.

CAPITALIZATION OF EXPENDITURES

Senator SALTONSTALL. So that of your total expenditure this year of $344,745,000, $310,455,000 will be capitalized; is that right?

Mr. CLAPP. That is correct, sir.

DECREASE IN WORKING CAPITAL

Senator SALTONSTALL. And you are going to decrease your working capital by the amount of $43,854,000 to do that?

Mr. CLAPP. That is correct, sir.

Senator SALTONSTALL. Now let me ask this question first. Is that a wise thing to do, to reduce your working capital? Is that not going to mean greater appropriations next year?

Mr. CLAPP. Senator, the decrease in working capital of some $43,000,000 is the obligated balance of 1951 carried over.

Senator SALTONSTALL. In other words, that is money already appropriated and carried over?

Mr. CLAPP. Yes, but already obligated.

Senator SALTONSTALL. Already obligated. That is not technical working capital as we know it, that sum, that classification, in an ordinary account then?

Mr. CLAPP. That is right; your distinction is correct.

Senator SALTONSTALL. This expenditure for capital is not a final item at all, is it, because if you turn to page 552 of the House hearings, and keeping to the House hearings, I have asked to have totaled up these various accounts. You are going to have your biggest capital expenditure, just looking at it casually, you will have your biggest

capital expenditure in 1952, but you will have another substantial capital expenditure in 1953 or 1954 to complete these projects?

Mr. CLAPP. That is correct.

REQUESTS FOR CONSTRUCTION COMPLETIONS AND NEW PROJECTS

Senator SALTONSTALL. Let me ask you this question: How many of these objects that we are now increasing in size, these power dams and steam plants, are already under way and how many are planned new this year in dollars and cents approximately?

Mr. CLAPP. $174,660,000 for 1952 is to continue or complete generating installations now in progress; $32,624,000 is to begin new generating installations or projects.

Senator HILL. What is that figure, Mr. Clapp?

Mr. CLAPP. $32,624,000.

Senator SALTONSTALL. That would leave then another $100,000,000 to account for, approximately; would it not? You are spending for new capital $310,455,000, and you have accounted for approximately $207,000,000. How do you account for that?

Mr. CLAPP. $27,500,000, Senator, would be for transmission out of appropriations, and $24,570,000 of corporate funds——

Senator SALTONSTALL. Now, are we not going off on a wrong tack? Perhaps I did not make myself clear. My question was in the original, you are spending for new capital acquisitions money that you are going to put in your capital account as capital assets in the current year, 1952 year, $310,455,000. My question is, How much of those capital assets, of this additional money, will go into plants that are already on the books and will be continued, how much will go into absolutely new transactions, new objects, new capital assets? You have said $174,600,000 would go into plants that are already started to enlarge them, to make them bigger?

Mr. CLAPP. Or to complete them.

Senator SALTONSTALL. Or to complete them. You have said that $32,624,000 would go into absolutely brand-new undertakings?

Mr. CLAPP. That is correct.

Senator SALTONSTALL. All right; now that accounts for $207,000,000. What becomes of the other $103,000,000?

AMOUNTS FOR TRANSMISSION FACILITIES AND LIQUIDATION OF OBLIGATIONS

Mr. CLAPP. The transmission items that I gave you a moment ago would account for some $52,000,000, and about $44,000,000 is liquidation of obligations made in prior years.

Senator SALTONSTALL. When you use liquidation of obligations, does that mean money you borrowed outside of the Government?

Mr. CLAPP. No, sir; that means that in the appropriation for fiscal year 1951 we have already obligated some of those funds.

Senator SALTONSTALL. I see. That is paying up of contracts and paying up of obligations already incurred?

Mr. CLAPP. That is right; actually expending the money when the materials come in.

Senator SALTONSTALL. Well, that would account for $95,000,000 of your $103,000,000.

AMOUNTS FOR MISCELLANEOUS ITEMS

Mr. CLAPP. That accounts for some $96,000,000. Then the remainder would include some navigation facilities, mostly lock improvements agreed upon with the Army engineers on our system, an item of some $78,000; also $1,500,000 for chemical facilities, general facilities $900,000, and investigation for future projects $300,000. The remaining difference is for administrative and general expense finally charged to the capital cost of these projects.

AMOUNT FOR NEW TRANSMISSION FACILITIES

Senator SALTONSTALL. My next question is how much of this transmission cost of $52,000,000 is for continuing, for plants already started, and how much of it is for absolutely new plants?

Mr. WESSENAUER. About $20,000,000 for new transmission facilities.

Senator SALTONSTALL. $20,000,000 in new plants. So that really before this committee in dollars and cents, if my understanding is correct, we have the problem of deciding whether we want to start $32,624,000 of new plants of which approximately $20,000,000 more would be in transmission?

Mr. WESSENAUER. Well, sir, only about $13,000,000 of the $20,000,000 for new transmission would be financed from appropriated funds. This, of course, is in addition to the $32,624,000 for power generating facilities.

Senator SALTONSTALL. But if you did not use your own corporate funds for that purpose, they would be available for another purpose?

Mr. WESSENAUER. That is right.

TOTAL FOR NEW CONSTRUCTION

Senator SALTONSTALL. So that this committee really has the problem of deciding whether to start authorizing you gentlemen to begin $52,624,000 of new undertakings; is that correct?

Mr. CLAPP. That is right, Senator.

Senator SALTONSTALL. If we did not spend this $174,600,000 into continuing those things, would those assets be operable in their present condition?

Mr. CLAPP. They would not be operable, Senator.

Senator SALTONSTALL. They would not be operable?

JOHNSONVILLE STEAM PLANT

Mr. CLAPP. Let me explain why. We are still building the Johnsonville steam plant. The first unit is expected to come on the line in October. If we were to stop building that steam plant as of June 30 this fiscal year, we would not be able to operate the plant, either the first unit or the other five which are also under construction for later initial operation. The eight hydro units are turbines and generators that will go into existing dams. We have started to make the installation on the basis of previous appropriations. Those units are in various stages of installation in the powerhouses previously built. If we did not get money in 1952 to continue those projects, they of course would not be ready to be operated.

Senator CORDON. Do you have the units on hand?

Mr. CLAPP. I am sorry, Senator?

Senator CORDON. The eight hydro units, have they been manufactured?

Mr. CLAPP. Some of them have been partially delivered, some of them are in advance stages of installation, some involve so far only preparation in the powerhouse to receive them.

BREAKDOWN OF COMPLETION COSTS OF STEAM PLANTS

Senator SALTONSTALL. Then you tell us in substance that we really have very little alternative with reference to appropriating approximately $174,600,000 to complete these projects, otherwise we have thrown overboard a lot of money that we have authorized and has been spent?

Mr. CLAPP. That is certainly correct, Senator.

Senator SALTONSTALL. I have taken the liberty of having the totals run for the table of selected major projects of the TVA which appears on page 552 of part 1 of the House hearings for this bill. These totals are as follows:

Direct obligations, actual to June 30, 1950	$71,216,283
Direct obligations, estimated fiscal year 1951	156,452,000
Direct obligations, estimated fiscal year 1952	209,186,522
Direct obligations, balance to complete	113,310,195
Administrative and general expenses, total project	9,242,000
Estimated total cost	559,407,000

Senator SALTONSTALL. On page 552, the actual money spent on these selected plants up to June 30, 1950, amounts to $71,216,283. Estimated fiscal year 1951 to spend on these plants, $156,452,000. Then estimated to spend in 1952, $209,186,522. The balance to complete, $113,310,195. The administrative expenses total $9,242,000. The estimated total cost, which would be a capital acquisition cost as I understand it, would be $559,407,000. So that if we spend this year and appropriate $209,000,000 we will still have you coming back next year for another $113,000,000, that is right, is it not?

Mr. CLAPP. It is correct, Senator, except possibly with respect to the amount for the following fiscal year. Some of that may be spread into a subsequent fiscal year.

Senator SALTONSTALL. I understand. In other words, out of that $113,000,000 some of it may come next year or some the following years?

Mr. CLAPP. That is right.

Senator SALTONSTALL. But this year, just going back, we have approximately $52,000,000 of new objects, new capital assets, which we should decide whether to start or not. If we do not start those then obviously some of that $113,000,00 will be eliminated in the coming years?

Mr. CLAPP. That is correct. If a decision not to start them now also carried the decision never to start them.

Senator SALTONSTALL. Yes. I would prefer not to mix things up by asking how much of that is defense, but perhaps it is a good place to ask it. How much of that $52,000,000 is attributable directly to new atom-bomb plants and increased defense work, approximately?

Mr. CLAPP. Senator, it is all related to additional power supply including national defense production to meet the increase in our loads which we forecast will come about in 1953 and 1954.

Senator SALTONSTALL. Then you cannot break it down really between straight Government jobs and straight civilian consumption?

POWER EXPANSION PROGRAM

Mr. CLAPP. Well, I can come close to it if you will allow me to describe for a moment what our increased power load looks like for the year in which these projects would become available when completed. This will also respond to Senator Condon's earlier question, we estimate that in 1953 at the peak of that year, as far as power is concerned, our loads will be 5,450,000 kilowatts, and we will have available to us assured capacity of 5,574,000 kilowatts, this leaves a scant margin of 114,000 kilowatts between load and assured capacity. Now the following year, 1954, which is the year we now have to make decisions about with respect to new construction, the peak load in 1954 will be at least 6,100,000 kilowatts. The assured capacity, including these new projects represented by the roughly $50,000,000 that you described, would be 6,176,000 kilowatts with an even smaller margin of 76,000 kilowatts as between assured capacity and our load forecast.

Now that shows an increase in that one year of about 650,000 kilowatts of load. In order to be able to meet the increase that will take place between the peak of 1953 and the peak of 1954, we should begin to build some additional power supply not later than this coming July. Now that 650,000 kilowatts increase breaks down in our estimates like this: We estimate that the load of the municipalities and rural electric cooperatives, all of whom have contracts with us by which we agree to supply their needs, will account for about 250,000 kilowatts. That is the amount of the estimated increase. Now between 1948 and 1950 the actual increase in that class of power requirement averaged 325,000 kilowatts per year, so we have actually estimated for 1954 a lower increase in load for municipalities and rural electric cooperatives than has been our experience in the last 2 years. We do that on the assumption, and it may be wrong, that appliances and motors and equipment on farms and so on will not be as easy to get because of the defense pressures upon basic material.

Senator SALTONSTALL. Are you through, Mr. Clapp?

Mr. CLAPP. I would like to go on to the other classes of power requirements to explain that 650,000-kilowatt increase.

Senator SALTONSTALL. I did not want to take too much time of the committee, and I had one or two other finance questions I wanted to ask you.

Mr. CLAPP. I will try to make this brief.

Senator SALTONSTALL. All right.

CUSTOMERS TO BE SERVICED UNDER INCREASED KILOWATT CAPACITY

Mr. CLAPP. It comes as close as we can come to the question of how much of this is strictly defense. Some of that increase for municipalities and rural electric cooperatives is clearly important for national defense. Some of the municipalities, for example, and some of the cooperatives will be serving as they are now, industries, making

materials that are important in the national defense, such as textiles, machine equipment, and things of that kind. Now, we also estimate that the increase between 1953 and 1954 for Federal agencies will be 170,000 kilowatts. Most of that increase is for the AEDC, the wind tunnel development that is being built at Tullahoma by the Air Force for supersonic testing. That estimate does not include any big additional specific defense project, and on the basis of our experience in the past it is almost a foregone conclusion that some project will come along that we will be expected to serve. In addition to that, 220,000 kilowatts is based upon our estimate of what nongovernmental defense expansion will require. In the past 6 months or so, for example, Senator, plans have matured on the part of various industries in the fields of ferro alloys, graphite and carbon, chemicals and miscellaneous basic materials which add up to 195,000 kilowatts. In addition, we are being asked whether we will be able to do something about other developments of this nature. Either as to private industrial development in these fields or as to Government agency developments we are constantly being confronted with surprises for which we have made no estimate in our future power forecasts.

POWER SUPPLY FOR OAK RIDGE

For example, I must mention the Oak Ridge development. The last time we were before this committee we were talking about total requirements at Oak Ridge of 640,000 kilowatts which includes their expansion program at Oak Ridge. We have been advised within the last week that instead of 640,000 kilowatts we must be prepared to raise that to 700,000 kilowatts. That is 60,000 kilowatts additional, and we must do it and have it when they need it.

Senator CORDON. How much did they advise you they were going to need?

Mr. CLAPP. Sixty thousand kilowatts more, Senator. That is all apart from the Paducah development.

Senator SALTONSTALL. It is a fair statement then, is it not, Mr. Clapp, to follow up what Senator Cordon said when I came into this room, which impressed me, and that is this: In deciding whether we should spend this money we have to keep in mind the fact that we are trying to keep expenditures down, and we must consider whether to put the money in here or into the Boulder Dam or into reclamation projects or the Commodity Credit Corporation or some other examples of that kind.

Senator CORDON. Or not to put it anywhere.

Senator SALTONSTALL. Or not to put it anywhere. That is our question really with relation to this $54,000,000 because that new kilowatt expansion ability on the part of the TVA, a good deal of it goes into defense, but that could be said to be true in other parts of the country as well, could it not?

Mr. CLAPP. Yes, Senator. I would suppose, looking at it without the responsibilities of your committee, that it would be a most difficult question, and all I can say to the committee as chairman of the TVA——

Senator SALTONSTALL. You want it; you need it.

Mr. CLAPP. We want it; the valley needs it, the country needs it, and ought to have it there, if you and other Members of the Congress are going to be able to make decisions so that our national-defense program will be adequately expanded, and so that expansion will be feasible when needed.

If I may, I would like to make just one more comment. There is one point about power supply that is frequently overlooked. You can build an aluminum plant; you can build an atomic energy plant; you can build a hydrogen bomb plant; you can build production facilities for airplane plants in a lot less time than it takes to build power plants, and yet many of the decisions ordinarily will be made to build these production facilities, and then it is discovered as you begin to trace that planning back that you have not available enough power.

Senator SALTONSTALL. Yes.

Mr. CLAPP. It is going to take so much longer to build the power than the facilities that schedules will have to be pushed back.

Senator SALTONSTALL. Thank you for the information along that line.

Senator MAYBANK. I was very much interested in that myself.

Senator SALTONSTALL. As I see it you have to be a good salesman for your agency, that is your job, and you are giving what you believe you should have from the proper viewpoint of your agency, and we have to balance that off with everything else.

Mr. CLAPP. We understand. On our part we would be negligent if we did not urge the necessity of expanded power supply.

OPERATING EXPENSES

Senator SALTONSTALL. You have expenses out of the appropriated funds $6,836,000, and out of your corporate funds $70,090,000. Now I assume without going into it for the moment that that $70,000,000 is for operating the plants now in existence which you are taking out for ordinary corporate expenditures?

Mr. CLAPP. That is correct, power and fertilizer.

Senator SALTONSTALL. On the $6,836,000 there are two brand new items which do not show either in 1950 or 1951. I am on page 550 of the House hearings. You have an expenditure of $2,318,000 for reservoir management, which is a new item, and you have a new item of $1,404,000 for fertilizer and munitions development. Now could you explain those two items and why they are necessary?

RESERVOIR MANAGEMENT

Mr. CLAPP. Yes, sir. The $2,318,000 item, Senator, appears as a part of the appropriation request for this reason: Those are activities and obligations that we meet with respect to the operation of the reservoir areas that are around our lakes created by the dams. In previous years and during the current year those have been financed out of corporate funds, proceeds from other things as well as from proceeds from power. Under our law that is a permissible method of financing them.

Senator MAYBANK. What is the other thing? Would it be recreational facilities and so on?

Mr. CLAPP. Proceeds have come from fertilizer and chemical operations and other miscellaneous receipts. The program includes malaria control, the management of reservoir lands, property protection, and so on. Now we are proposing a new method of financing those activities. The proposal is that we put them all together as a reservoir management operation, request appropriated funds for the nonpower portion of them, and the proceeds which otherwise were used to finance them then go into the general fund of the Treasury. The effect upon the Treasury is nil.

Senator CORDON. Why do you do that?

Mr. CLAPP. The reason we propose it this way, Senator Cordon, is that the nature of those operations is directly a part of our reservoir operations or very closely related to them and should not be dependent for example upon miscellaneous receipts or upon the margin we get in our fertilizer operation because it has nothing to do with the fertilizer operation.

Senator CORDON. In that event it would appear to me the best thing to do is to transfer all of your income back to the Treasury.

Mr. CLAPP. If that were done, Senator, the operation of our power system, which is the main obligation that rests upon our proceeds from power, would soon become a very unworkable undertaking.

Senator CORDON. It might be well for the Congress to know it.

Mr. CLAPP. It would become unworkable by virtue of the fact that we might not have enough appropriations in a given year to operate the system.

Senator CORDON. In other words, you are a little bit fearful that the Congress might not give you what you want?

Mr. CLAPP. Even if the Congress gave us what we estimated, Senator, we might not be able to operate the power system. It is extremely difficult to estimate the financial requirements of a power operation made up of steam and hydro. The amount of operating expense can vary by as much as 20 or 25 million dollars a year in this TVA system depending on how much water we have, how dry a year we have, and the like. If we were to estimate on the basis of an average year each time, then when we did not have an average year we would not have the money to buy coal for the steam plants or to pay operating personnel in the power plants.

Senator CORDON. It could be set up in emergency funds.

Senator SALTONSTALL. Does your explanation also cover the item of fertilizer and munitions?

FERTILIZER AND MUNITIONS RESEARCH DEVELOPMENT

Mr. CLAPP. Not quite, Senator. If you will look at the column 1951 you will notice an item of $1,187,000 for fertilizer and munitions research development for which no comparable figure appears in 1952.

Senator SALTONSTALL. I see.

Mr. CLAPP. We have redefined the category so that to a large extent the $1,404,000 is the corresponding figure for the $1,187,000.

Senator SALTONSTALL. Just one more question, and then I believe I am through, Mr. Chairman. You are using, also, approximately $16,026,000 for the development of fertilizers and munitions so that as a question of operating expenditures, if you did cut down a little bit on your fertilizer and munitions development we could cut down some-

what on that $70,000,000 of operating funds. That is an adjustable item?

Mr. CLAPP. Senator, it could be an adjustable item but with serious national defense consequences. The $16,000,000 does not come from appropriations but comes from the proceeds from the chemical fertilizer and munitions operations estimated to be $19,224,000.

Senator SALTONSTALL. As a good salesman you cannot say it is an adjustable item, but if you were sitting on this side of the table you might say there was something there that could be adjusted, is that a fair question?

Mr. CLAPP. I think it is a fair question, Senator. The question I would want to decide if I were sitting on the other side of the table is whether it would make sense to cut the production of phosphorus and ammonium nitrate and those products.

Senator SALTONSTALL. That is strictly accurate, this is not a development expense, but it is an operating expense in producing phosphorus.

Mr. CLAPP. It is the operation of the chemical plants that produce those materials.

Senator SALTONSTALL. Then you have used the word "development" wrong, have you not?

Mr. CLAPP. I can see where it is confusing; but the plant operation itself, which includes research facilities in chemicals and munitions, is developmental in the large sense because we are constantly trying to improve and develop new processes in the field of ammonium nitrate, nitrogen, and phosphate compounds.

EFFECT OF CUT IN APPROPRIATION

Senator SALTONSTALL. Then it boils right down, Mr. Clapp, if I may ask this final question—and I appreciate the courtesy of the committee in staying with me so long—that we can cut your budget $52,000,000 if we were willing to cut out all new expenditures for capital improvement. We might be able to cut down a little bit on operating expenses if we were willing to sacrifice some research or some development of these side items.

Mr. CLAPP. That is what the effect would be.

Senator SALTONSTALL. Thank you very much.

I do have one further question. On page 552 of the House hearings you set forth the items in detail of new capital acquisitions. Can you just state for the record, referring to the new capital acquisitions of $32,624,000 in round figures, just what comes out of there?

PROPOSED EXPENDITURES

Mr. CLAPP. Following down the column on the left, the new steam plant of two units——

Senator MAYBANK. What page are you referring to?

Senator SALTONSTALL. Page 552 of the House hearings.

Mr. CLAPP. That item, Senator, which appears as the new steam plant, two units; then referring above where it says "Widows Creek steam plant, six units," two of those six units are proposed as new additions to begin in 1952.

Would you like me to give you the total figures that go with that?

Senator SALTONSTALL. Then if those are the two new items——

Mr. CLAPP. I had not completed that, sir.

Senator SALTONSTALL. Excuse me.

Mr. CLAPP. Then the Douglas hydro unit 4 and Cherokee hydro unit.

Senator SALTONSTALL. Are there any others?

Mr. CLAPP. That includes all of the new items that make up that $32,000,000 we discussed earlier.

Senator SALTONSTALL. Just to complete that, of these two units in Widows Creek to start in 1952, how much of that $32,000,000 goes into those two units?

Mr. CLAPP. I can give you that in just a moment. It is $12,666,000.

Senator SALTONSTALL. How much would it cost to complete those ultimately in addition to the $12,000,000?

Mr. WESSENAUER. About $20,000,000 more, Senator.

Senator SALTONSTALL. So that would involve a total of $32,000,000 of which $12,000,000 would be this year?

Mr. WESSENAUER. It is $33,000,000.

Senator SALTONSTALL. Of which $12,000,000 would be this year?

Mr. WESSENAUER. $12,666,000 this year.

Senator SALTONSTALL. Now, going down to the two new steam units, you contemplate spending $16,568,000 this year with a total ultimate expense of $47,000,000. Is that correct?

Mr. CLAPP. That is correct.

Senator SALTONSTALL. Then going down to Cherokee Hydro Unit 4, you contemplate spending how much this year?

Mr. CLAPP. One million nine hundred and thirty-two thousand dollars.

Senator SALTONSTALL. With a total expenditure of how much?

Mr. CLAPP. Four million dollars.

Senator SALTONSTALL. Then for the Douglas hydro unit it will be $1,458,000 this year with a total expenditure of $4,000,000?

Mr. CLAPP. That is correct, sir.

Senator SALTONSTALL. Thank you.

DISCUSSION REGARDING LOCATION OF PLANT AT COLBERT

Senator HILL. Senator McKellar is very much disappointed that he could not be here this morning to hear your testimony. He was interested in having you make a statement giving the reasons why the TVA plant was located at Colbert. Why was that particular site selected for that installation? I might say that there appear, on page 597 of the House hearings, certain reasons why that site was selected.

Mr. CLAPP. Senator, I am glad to explain the reason for the location of that new site.

In locating a steam plant, we have to take into account the load developments that are taking place in that area, the availability of water for condensing purposes, the transportation problem relative to the transportation of coal or fuel to that steam plant. All of those factors, plus the availability of a workable, usable foundation at the site, are considered in locating the plant.

The fact is that with respect to the growth of our load as between the western and the eastern end of our system, in relation to present generating sources, it was clear that a new location should be found toward the western end of our system. The Colbert location will make it possible for us to supply growing loads in the areas to the west and south of us in our present service area. The site is a feasible one from the standpoint of foundation, transmission, and coal supply. All in all it complements very nicely the present arrangement and location of steam and hydro facilities.

(The following additional statement was supplied:)

REASONS FOR THE SELECTION OF THE COLBERT SITE FOR THE STEAM PLANT IN TVA 1952 BUDGET

A study of the load growth in the area served by TVA indicates that a large part of the additional generating capacity should be located in the southwestern part of the system. An intensive study of two sites on the river adjacent to railway and highways, the Colbert site and a site near Decatur, Ala., indicated that the Colbert location was more favorable based on over-all cost comparisons. Initial cost advantages arise at the Colbert site from better foundation conditions and shorter rail and highway access. Substantial operating advantages are anticipted from lower coal costs.

The location of the Colbert site on the upper end of Pickwick Reservoir adjacent to the main line of the Southern Railway will permit both rail and river transportation of coal and heavy equipment and at the same time assure an adequate supply of condensing water. The location is advantageous from a transmission standpoint. It is only 12 air miles from Wilson Dam, 25 from Wheeler Dam, and 32 from Pickwick Dam and is quite close to the heavy-duty transmission lines that connect those hydro plants. The steam plant at the Colbert site would directly supplement the 900,000 kilowatts of hydro capacity in the three dams and could be interconnected with them and the loads to be served with relatively low expenditures for transmission facilities.

Of the various alternative locations on the Tennessee River, the Colbert site appears to be best adapted to supplying the growing loads not only in northwest Alabara but also in the south central and southwest portions of Tennessee and in sections of Mississippi within the TVA power service area.

Senator CORDON. Mr. Chairman, may I ask one other question?

Senator MAYBANK. Yes.

Senator CORDON. I will first make an inquiry. Mr. Clapp, in any annual report or other document that yau can make available is there a summary of the total amount of Federal money which has been appropriated for either TVA or for capital investments which are now within and operated by TVA, together with the amount of funds which have been paid back to the Treasury by TVA and when paid?

Mr. CLAPP. Yes. I can give you that reference, Senator. I can supply it and put it in the record, or I can comment and give you a rough approximation now.

TOTAL AMOUNT APPROPRIATED TO TVA TO DATE

Senator CORDON. I would like a rough approximation at this time, and then a detailed statement, if you will.

Mr. CLAPP. The total appropriations to the TVA for capital assets up to the present time would be about $920,000,000. That is for all capital purposes.

Senator CORDON. How much of that draws interest?

Mr. CLAPP. That amount does not include the bond authorizations, the bonds that were issued, and which were also a source of capital.

Originally $65,000,000 in bonds were issued and the bonds draw interest.

Senator CORDON. Did the Government buy the bonds?

Mr. CLAPP. The Government bought the bonds.

Senator CORDON. Then that ought to be in there. It might be well to separate that in your statement.

Mr. CLAPP. I can give you a detailed statement for the record, Senator.

Senator CORDON. All right. Now, you have had $920,000,000 other than bonds?

Mr. CLAPP. That is right.

Now, that total amount, of course, of appropriations plus bonds should also have the addition of properties transferred to the TVA.

Senator CORDON. That is right.

Mr. CLAPP. That would include the original Muscle Shoals properties, for example.

Senator CORDON. That is right.

Mr. CLAPP. And from that you could then get a total amount of assets, money that has been made available to the TVA.

Senator CORDON. That is right.

Mr. CLAPP. Now, coming down to the net investment in power facilities, as of June 30, 1950, that would be approximately $450,000,000. Now, the remainder, the difference between that figure—

Senator CORDON. And $920,000,000?

Mr. CLAPP. Yes, and $920,000,000 would include navigation and flood-control facilities. It would include work in progress of about $250,000,000 covered out of appropriations for new projects. It would also include $50,000,000 for chemical and general plant not specifically related to power, and so on.

Senator CORDON. What part of the $470,000,000, or the balance after deducting the $450,000,000 from $920,000,000, may be charged off as being nonreimbursable because it is flood control or navigation expenditures?

Mr. CLAPP. A little more than $330,000,000. That amount would split about 50–50 as between navigation and flood control.

Senator CORDON. How much has been paid back?

Mr. CLAPP. We have paid back, as of June 30, 1950, from power proceeds about $45,000,000. By the end of this fiscal year it will be about $54,000,000. That is out of power proceeds alone. To that would have to be added a figure from nonpower proceeds, which I think would bring the total up to about $63,000,000 by June 30, 1951.

Now, there is one other calculation that also should appear in there, Senator. The $450,000,000 of net power assets have not been financed entirely by appropriated funds. Upward of $140,000,000 of that has come from earnings which would otherwise have gone back into the Federal Treasury as pay-back, in which case appropriations then would have been necessary to take their place in new capital investment.

I will detail a statement for the period through June 30, 1950, if I may.

Senator CORDON. Thank you.

(The statement is as follows:)

Statement of sources of funds and their application, June 16, 1933, to June 30, 1950

					Power program	Other programs	Total
Funds have been derived from:							
Federal Government:							
Congressional appropriations					$330,589,000	$497,015,000	$827,604,000
Property transferred from other Federal agencies					19,108,000	25,548,000	44,656,000
Proceeds from bonds sold to U. S. Treasury and RFC					65,072,000		65,072,000
Total					414,769,000	522,563,000	937,332,000
Power operations:							
Sales of power:							
1950				$57,786,000			
1949				58,030,000			
Prior years				308,657,000			
					424,473,000		424,473,000
Less power expense:							
	Depreciation [1]	Interest	Other expense	Total			
1950	$10,902,000	$938,000	$19,878,000	$31,718,000			
1949	9,868,000	534,000	26,684,000	37,086,000			
Prior years	72,021,000	4,646,000	122,805,000	199,472,000			
Total	92,791,000	6,118,000	169,367,000	268,276,000	268,276,000		268,276,000
					156,197,000		156,197,000
Advance collection of rent on Memphis steam plant					1,133,000		1,133,000
Total funds provided					572,099,000	522,563,000	1,094,662,000
Less repayments:							
	Power	Other	Total				
Payments under sec. 26	$29,059,000	$9,086,000	$38,145,000				
Redemption of bonds	16,072,000		16,072,000				
Total	45,131,000	9,086,000	54,217,000		45,131,000	9,086,000	54,217,000
Total funds provided less repayments					526,968,000	513,477,000	1,040,445,000

Footnote on p. 453.

Statement of sources of funds, and their application, June 16, 1933, to June 30, 1950—Continued

	Direct	Common	Total	Power program	Other programs	Total
Funds have been expended for:						
Plant and equipment:						
Multiple-use dams:						
Navigation	$45,223,000	$109,033,000	$154,256,000		$154,256,000	$154,256,000
Flood control	50,307,000	114,673,000	164,980,000		164,980,000	164,980,000
Power	165,029,000	152,270,000	317,299,000	$317,299,000		317,299,000
Total	260,559,000	375,976,000	636,535,000	317,299,000	319,236,000	636,535,000
Single-use power facilities:						
Dams			$46,373,000			
Steam plants			28,987,000			
Transmission lines, substations, and other electric plant			161,591,000			
Unamortized acquisition adjustments			574,000	237,525,000		237,525,000
Total multiple-use and power				554,824,000	319,236,000	874,060,000
Chemical plant					31,030,000	31,030,000
General plant					15,171,000	15,171,000
Total completed plant				554,824,000	365,437,000	920,261,000
Less accrued depreciation				85,817,000	40,875,000	126,692,000
Depreciated cost of completed plant				469,007,000	324,562,000	793,569,000
Construction in progress and investigations for future projects				33,888,000	27,286,000	61,174,000
Net investment in plant and equipment				502,895,000	351,848,000	854,743,000

	1950	1949	Prior years	Total
Net expense of non-income-producing operations:				
Navigation	$2,797,000	$2,783,000	$18,062,000	$23,642,000
Flood control	2,330,000	2,282,000	13,181,000	17,793,000

Chemical	163,000	915,000	73,442,000	83,957,000			
Development	4,831,000	4,623,000					
Operation of Norris and Wilson villages	[2] 11,000	68,000					
Interest income from sale of Norris village	[2] 18,000	[2] 56,000					
	10,092,000	10,615,000	104,685,000	125,392,000	----------	125,392,000	125,392,000
Total funds expended					502,895,000	477,240,000	980,135,000
Funds on hand:							
Working capital, in the form of cash, receivables, and inventories of materials and supplies, less current liabilities					24,073,000	36,237,000	60,310,000
Total funds expended or on hand					526,968,000	513,477,000	1,040,445,000

[1] Depreciation charged to power expense differs from accrued depreciation on power plant in that the former includes amortization of plant acquisition adjustments ($8,924,000) and the latter includes depreciation at acquisition on purchased properties ($22,194,000) and has been reduced by the net cost of plant retired ($20,244,000).

[2] Deduct.

Senator HILL. Excuse me 1 minute. Before we get away from this location site at Colbert, when you go over your remarks, will you detail that, too?

Mr. CLAPP. I shall be glad to.

AMOUNT REPAID

Senator CORDON. I have one more question on this matter. What portion of the balance has been repaid?

Mr. CLAPP. The original amount of bonds outstanding was $65,000,000. As of June 30 we had paid off $16,000,000, which would bring it down to about $49,000,000 and we have paid an additional $5,000,000 during the current fiscal year.

Senator CORDON. Do the bonds draw interest?

Mr. CLAPP. The bonds do draw interest at about 2 percent. They are held by the Treasury.

Senator FERGUSON. Mr. Chairman, I have a few questions.

Senator MAYBANK. You do not mind if I ask one question?

Senator FERGUSON. Go ahead.

PROPOSED LANGUAGE TO EXPEDITE PROCUREMENT UNNECESSARY

Senator MAYBANK. Mr. Clapp, I was going to ask you for the reasons, if you don't mind detailing them, for the language appearing on page 416, the amendment which in substance permits you to do certain work and obtain supplies without advertising or without any competitive bidding.

Mr. CLAPP. Senator, that language was proposed for inclusion in the appropriation bill to make it possible for us to expedite our procurement more rapidly than we could under existing authorization. In the meantime, and after the language was submitted, the situation has changed through the enactment of legislation which enabled the President to issue an Executive order that gives to the TVA authority to make purchases without advertising in the usual sense where it is necessary in connection with the national defense.

Senator MAYBANK. But the amendment does not say, Mr. Clapp, where it is necessary. It just gives you free rein, does it not?

Mr. CLAPP. My point is that the situation which that was designed to remedy has since been remedied by other legislation.

Senator MAYBANK. Then it is not necessary?

Mr. CLAPP. It is not necessary.

REQUEST FOR NEW AUTOMOBILES

Senator MAYBANK. I have asked every independent office agency this same question, that is, the question of new automobiles. The Senators have raised that point. I notice that you want 25 new automobiles.

Mr. CLAPP. I believe it is for 200 new ones of which 172 would be replacements, leaving a net increase of 28. Actually, if we could be authorized to retain 50 more, we could save some money in operating expenses. The Bureau of the Budget has authorized us to propose that the language be modified to provide that only 122 of the 200 new vehicles shall replace cars now in service. The retention of 50 addi-

tional cars would avoid the necessity of renting automobiles from rental agencies at a cost per mile considerably higher than our own fleet operation.

(The following additional information was supplied:)

STATEMENT CONCERNING PROVISION IN TENNESSEE VALLEY AUTHORITY'S APPROPRIATION LANGUAGE FOR 1952 WITH RESPECT TO PURCHASE OF MOTOR VEHICLES

There is included in the TVA appropriation language for fiscal year 1952 the requirement that of 200 passenger motor vehicles to be purchased in that year, 172 shall replace vehicles in service. We would like to suggest a change in this language which involves no change in the appropriation request or in the estimate of new vehicles to be purchased, but which would result in substantial savings to the Government. We request that the language be modified to require that of the 200 new vehicles, only 122 shall replace vehicles in service.

The estimate of fleet requirements in 1952 was developed last summer and submitted to the Bureau of the Budget in September. It did not, therefore, take into account the additional requirements which will be brought about by construction work for which the Congress made funds available in the two 1951 supplemental appropriation acts.

The addition of the Shawnee and Kingston steam plants to the construction program in 1951 prompted a detailed review to ascertain the number of vehicles which should be available in 1952 for maximum economy and efficiency. For 1952 that number is 767, or 50 vehicles more than we could maintain under provisions of the language now before the committee. With the approval of the Bureau of the Budget, we therefore request that the language be modified to permit us to retain needed vehicles which otherwise would have to be sold.

If the vehicles are sold in the face of expanding requirements, it will be necessary, in order to keep the construction program on schedule, to rent vehicles from commercial rental agencies. The costs to TVA under this kind of arrangement would be about 7 cents per mile as compared with 5 cents per mile for cars in our own fleet. We estimate that the recommended change in appropriation language would save the Government about $17,000 in fiscal year 1952.

TOTAL AUTOMOBILES ON HAND

Senator FERGUSON. What is your total?

Mr. CLAPP. Our total now is about 750.

Senator FERGUSON. How many are chauffeur-driven?

Mr. CLAPP. None, Senator.

Senator FERGUSON. You mean you do not have a chauffeur?

Mr. CLAPP. I do not have a chauffeur.

Senator FERGUSON. That is right; you do not operate in Washington.

Mr. CLAPP. Well, I know my way around the valley without a chauffeur.

Senator FERGUSON. I say that sincerely. I pass them in the parks as I drive through the parks going home.

Chairman MCKELLAR. As I understand it, you are willing that this language be taken out?

Mr. CLAPP. The language with respect to emergency purchasing power, Senator. That situation has been remedied by other legislation. We suggest that the language with respect to the purchase of automobiles be changed.

SHORTAGE OF STEEL, ALUMINUM, AND COPPER

Senator FERGUSON. I have a question along the line of the capacity of our production to supply not only you but the REA and all the private producers of power the equipment they need. Are we short

on capacity to produce all of this equipment in America? I refer to the copper for wiring. I see you have quite an item here for wire. You have $20,000,000 for transmission lines.

Mr. CLAPP. Some of the items, particularly certain types of steel and aluminum and copper, are in short supply as we feel the effect of it. We have reasonable assurance from the large manufacturing shops making turbines and generators for these new power installations that they will be able to meet the scheduled delivery dates. However, they will need and are getting some help in securing materials needed in the manufacture of that equipment from NPA, and Mr. Wilson's whole organization. But it is going to be very tight with respect to some critical items.

Senator FERGUSON. Now, does the fact that we furnish other nations equipment similar to this for their hydroelectric facilities through the ECA or other aid programs interfere with the delivery dates of your material?

Mr. CLAPP. I don't think it does with ours because most of those units are of considerably smaller capacity. Mr. Wessenauer may have a more pointed comment on that.

Senator FERGUSON. Do you know about that, Mr. Wessenauer?

Mr. WESSENAUER. I don't know the exact effect, Senator. We have 13 hydro units on order which we believe will come in reasonably on schedule.

Senator FERGUSON. How much competition is there on such hydro units?

Mr. WESSENAUER. In what way?

EFFECT OF FOREIGN ORDERS ON DELIVERY OF EQUIPMENT

Senator FERGUSON. By private industry wanting it and by the REA wanting it, and by foreign countries wanting it.

Mr. WESSENAUER. I don't know the degree of that.

Senator FERGUSON. Can you get that and place it in the record here?

Mr. WESSENAUER. I will try, sir.

(The information referred to follows:)

DEPA, which periodically reviews the order boards for such equipment, indicated that after 1951 the effects of foreign orders on delivery of hydro equipment in this country would be very slight.

Senator FERGUSON. As I understand it now, the REA is not under the allotment program. They have been able to keep themselves out from under it. The TVA and private industry is under it. Is that correct?

Mr. CLAPP. We are under it. Our projects are subject to review by the Defense Electric Power Administration.

Senator FERGUSON. But you also understand that for at least this quarter the REA is not under that group, and therefore they can make their own demands and pass on their own necessities?

Mr. CLAPP. As I understand it, the REA projects receive a total allotment of these materials, and then the REA decides which ones of these projects should get the material.

Senator FERGUSON. That is what I mean.

Mr. CLAPP. Yes.

PERCENTAGE OF COPPER AND ALUMINUM ALLOCATED TO POWER SYSTEMS

Senator FERGUSON. If you can get those figures and put them in the record, I will appreciate it. That applies to copper as well as to various things for the transmission lines.

Mr. CLAPP. We will do the best we can on that, Senator.

(The information referred to is as follows:)

We understand from DEPA, which is the claimant agency with respect to allotment of materials for the electric utility industry that for the second quarter of 1951, the power systems, including public and private, have been allotted about 82 percent of their copper and 92 percent of their aluminum requirements. This is exclusive of copper and aluminum alloted to power equipment manufacturers.

NO LEASING OR PROCURING FROM REA

Senator CORDON. Do you have any activity in TVA in the field of leasing from or otherwise procuring from the REA units generating or transmission facilities which then you operate?

Mr. CLAPP. No, we have no such arrangements, Senator.

Senator CORDON. That has appeared in a number of the programs, and I was interested in whether within the TVA you have that combination or not.

Mr. CLAPP. No, there isn't that combination. That combination doesn't exist in the TVA area.

Now, some of these cooperatives that are neighbors to our system have approached us with the idea of developing their own generating sources and entering into an interchange and back-up arrangement similar to the ones that we have with the private utilities that border on our area. We have, of course, sat down with them and discussed those proposals on the same basis that we do with anyone else.

Senator MAYBANK. Are there any further questions?

TVA SERVES AREA OF 80,000 SQUARE MILES

Chairman MCKELLAR. You have contracts with all of the cities and towns of the State of Tennessee, and you furnish them power?

Mr. CLAPP. We have 145 contracts with municipalities and rural electric cooperatives to serve an area of 80,000 square miles.

Chairman MCKELLAR. I have nothing else, Mr. Chairman.

Senator MAYBANK. We thank you for your testimony, Mr. Clapp.

Mr. CLAPP. Thank you, Mr. Chairman.

CIVIL SERVICE COMMISSION

STATEMENTS OF ROBERT RAMSPECK, CHAIRMAN, UNITED STATES CIVIL SERVICE COMMISSION; FRANCES PERKINS, COMMISSIONER, UNITED STATES CIVIL SERVICE COMMISSION; JAMES M. MITCHELL, COMMISSIONER, UNITED STATES CIVIL SERVICE COMMISSION; L. A. MOYER, EXECUTIVE DIRECTOR, UNITED STATES CIVIL SERVICE COMMISSION; ISMAR BARUCH, CHIEF, PERSONNEL CLASSIFICATION DIVISION; LAWRENCE V. MELOY, EXECUTIVE SECRETARY, LOYALTY REVIEW BOARD; CECIL E. CUSTER, CHIEF, BUDGET AND FINANCE DIVISION; AND DAVID F. WILLIAMS, ASSISTANT CHIEF, BUDGET AND FINANCE DIVISION

Salaries and Expenses

Senator Maybank. The committee will be in order.

Mr. Chairman, may I say that I do not know how far we are going to be able to get with your testimony this morning because there are several meetings going on now. I thought we might be able to stay until 12:30. We took a little longer on the TVA than we had expected to. We will proceed, but we will have to stop at 12:30.

Will you proceed, Mr. Ramspeck.

Mr. Ramspeck. Mr. Chairman, my name is Robert Ramspeck, and I am Chairman of the United States Civil Service Commission. I have a prepared statement.

I just want to say, in addition to that, that, as you gentlemen know, I am serving my second month in this capacity although I spent 16 years up here in the legislative side of some of these problems in the House Committee on Civil Service. If I seem to be a little ignorant with regard to some of the questions you may ask me, I beg your indulgence because I have not had time to thoroughly acquaint myself with all of the problems that exist.

AMOUNT REQUESTED

The estimate of appropriation before this committee for operating expenses of the Civil Service Commission for the fiscal year 1952 amounts to 23 million dollars. This is a 6½-million-dollar increase over the amount available for the current fiscal year. However, increases are being requested for only three of our eight major activities, namely: Activity 1, examining and placement and veterans preference; Activity 2, investigations; and activity 3, personnel classification. Two of the remaining activities, namely: Activity 6, The Federal Personnel Council; and activity 8, executive and administrative services, have been held at the 1951 level. The balance—Activity 4, retirement; activity 5, service records; and activity 7, regulatory, appellate and advisory functions of the Commission—have been reduced slightly from 1951 authorized amounts.

Senator Cordon. May I interrupt you there, Mr. Chairman, for just a moment?

Mr. Ramspeck. Yes, sir.

SECTION 1214 REDUCTION IN FISCAL 1951

Senator CORDON. You say that "this is a 6½-million-dollar increase over the amount available for the current fiscal year." The word "available" occasioned my inquiry. Now, was there any reduction made in the amount appropriated by the Congress last year for the Civil Service Commission pursuant to the direction to the President to reduce the over-all appropriations by $550,000,000?

Mr. RAMSPECK. Senator, there was a reduction of one-half million dollars, but that was later released to the Commission due to the increased workload incident to the expansion of the Government on account of the emergency.

Senator FERGUSON. Did you use any of the President's emergency fund?

Mr. RAMSPECK. No, sir.

Senator CORDON. Thank you.

WORKLOAD INCREASE

Mr. RAMSPECK. I wish to emphasize at this point that the entire increase in funds we are requesting for fiscal year 1952 is to process greater workloads resulting from rising Federal employment and from an anticipated increase in turn-over due to a tightening labor market. My comments, therefore, in this opening statement will be entirely with regard to the increases we are requesting and the programs we expect to carry out with the funds included in the estimates for these particular activities.

Activity 1—examining, placement, and veterans' preference: Total Federal employment within the continental United States was 1,819,489 on June 30, 1950. At the end of February 1951, it had increased to 2,142,265. It is estimated that Federal employment will further increase to approximately 2,350,000 by June 30, 1951, and to 2,600,000 by June 30, 1952, a year later.

BUDGET INCREASES ASKED FOR FISCAL YEARS 1951 AND 1952

Senator FERGUSON. These figures are rather large. What is the percentage of increase during the present fiscal year? Does anybody have that?

Mr. RAMSPECK. It is approximately the figure I have stated there.

Senator FERGUSON. Yes, I can see the figures; but what I was trying to get at was this: Will the increase in the 1952 budget be greater than the increase in the 1951 budget?

Mr. RAMSPECK. I think it will be a little less. The increase in Federal employment in 1951 is about 530,000, and we estimate a further increase of about half that much for the ensuing fiscal year.

Senator FERGUSON. So it will be less in 1952?

Mr. RAMSPECK. Yes, sir.

Senator FERGUSON. That is why I am wondering why you need an increase. You did it last year under the old budget. Now you want an increase, although the increase in employment will be less.

Mr. RAMSPECK. That is because of the turn-over figure, Senator.

The figures you are looking at and those I have just read are the figures for total employment. But the amount of work we do not only depends on the increase but on the number of people who leave the service and have to be replaced.

Senator FERGUSON. We will get those figures, as I see, a little later. I want to know about the percentage of that turn-over.

Mr. RAMSPECK. Yes, sir.

With the increase that has occurred in Federal employment we have experienced also an increase in turn-over rate. During the last fiscal year turn-over averaged 1.4 percent per month.

PERSONNEL TURN-OVER

Senator FERGUSON. May I interrupt you there to get your idea of what is meant by "turn-over". Does that refer to the turn-over in Government employment where personnel goes from one bureau to another, or does it refer to persons who actually leave the Government employ?

Mr. RAMSPECK. It is both, Senator.

Senator FERGUSON. Do you have the percentages of those transferring from one department to another and of those going out into private industry?

Mr. RAMSPECK. We can furnish that.

Senator MAYBANK. Without objection, that will be furnished for the record.

Mr. RAMSPECK. All right, Mr. Chairman.

(The information requested is as follows:)

Agencies in the executive branch have reported to the Civil Service Commission that accessions inside the continental United States for the period July 1, 1950, through February 28, 1951, totalled 685,212. For the same period those agencies reported that their accessions included 15,068 transfers from other agencies. This means that transfers represent only 2.2 percent of total accessions during this period. These 15,068 transfers do not include cases of persons who resign from the Government service and who later reenter same.

Accessions include the replacement of persons going out into private industry, or otherwise leaving the Federal service, as well as the net growth in the executive branch within continental United States.

Mr. RAMSPECK. Since then it has been steadily increasing, and so far this fiscal year it has averaged 2.2 percent per month. It is expected that as the Federal service continues to increase and the labor supply diminishes through industrial expansion, turn-over will continue to increase. We estimate that during the fiscal year 1952 it will average approximately 3 percent per month.

As a result of the increases in both Federal employment and in turn-over, it is estimated that 1,136,000 placements will be made during this fiscal year, and that 1,141,000 placements will be required during fiscal year 1952 in order to keep the executive branch of the Government adequately staffed. This placement workload may be contrasted to our estimate of a year ago of 310,000 placements to be made during fiscal year 1951.

Senator Ferguson, I might interpolate there and state by way of explanation that there are backlogs accumulating now. We do not have the staff and the funds to keep current with this rate of turn-over.

Senator FERGUSON. Yes, but your replacements are estimated at

1,141,000 for fiscal 1952 as compared with 1,136,000 in this current fiscal year.

Mr. RAMSPECK. Yes, sir.

Senator FERGUSON. Now, you were able to get along with your appropriation in 1951. Why cannot you do it in 1952?

MAJOR PART OF INCREASED BUDGET DUE TO LOYALTY INVESTIGATIONS

Mr. RAMSPECK. That is just what I was explaining to you. We are not keeping current. As you will see later in this statement, the major part of this cost is due to the loyalty program, the investigations necessary as regards loyalty and suitability for sensitive positions, where we have to make a very careful investigation. We are not keeping as current with that as we would like to.

With the Government expanding rapidly to gear itself to the national emergency and the total placement job approaching the magnitude of World War II, it became necessary to adopt a simple, flexible procedure to facilitate the staffing job of the agencies. The President has provided such a procedure in Executive Order 10180, dated November 13, 1950. The essence of the Commission's examining and placement program is based on this Executive order and emphasizes (*a*) the maximum decentralization of the placement job to the agencies through the medium of boards and committees of examiners; and (*b*) direction and coordination of the recruiting efforts of the Federal Government by the Civil Service Commission. It will be noted from the chart on page 11 of our justifications that civil service boards and committees of examiners, located in the agencies, will make 573,979 placements, which represents 72 percent of the total placements to be made by, or under the supervision of the Commission.

Another major problem that faces both the agencies and the Civil Service Commission is that of insuring the maximum utilization of personnel and manpower. With the funds included in our budget estimate the Commission's Personnel Management and Inspection Service will be strengthened so as to provide the needed advice and assistance to agencies in that field. Our regular periodic inspections have been changed to a modified regulatory check of a general nature. In addition, however, and within the resources available to us, we are devoting the utmost assistance possible to stimulate the effective operation of agency personnel programs and the conservation of manpower.

Activity 2—investigations: This activity includes the work the Commission must do under the Federal employees loyalty program. Before discussing the question of workload and financial needs, I would like to mention to the committee one matter concerning the loyalty program.

This committee is aware that a degree of uncertainty exists in some quarters regarding the effect of the language of the Presidential order on the question of resolving a reasonable doubt and in whose favor it shall be determined. There is a difference of opinion regarding the interpretation to be placed upon the standard as stated in the order and the right of the Board to construe it so as to resolve doubts in favor of the Government instead of in favor of the applicant.

Senator FERGUSON. I would like to know whether there is any difference of opinion on your Board.

Mr. RAMSPECK. The Commission?

Senator FERGUSON. Yes.

Mr. RAMSPECK. No, sir. We have recommended a change, as you will see from the statement.

Senator FERGUSON. You say that there is a difference of opinion regarding the interpretation. Now, is there a difference of opinion amongst the members of the Loyalty Board?

Mr. RAMSPECK. They voted, I think, 13 to 5 to recommend a change, so there is some difference of opinion.

Senator FERGUSON. There is a difference of opinion there?

Mr. RAMSPECK. Yes.

Senator CORDON. They were in favor of the change?

Mr. RAMSPECK. Yes.

Senator FERGUSON. And your Board is unanimous in its opinion?

Mr. RAMSPECK. We are not unanimous in thinking that the same result could be gotten even under the President's order. We are unanimously asking the President to change the order.

Senator FERGUSON. But you are not unanimous in thinking that the same thing could have been done under the President's order?

Mr. RAMSPECK. That is right.

Senator FERGUSON. Now, how does the Board stand on that question?

Mr. RAMSPECK. Do you mean the Loyalty Board?

Senator FERGUSON. Yes.

Mr. RAMSPECK. They voted 13 to 5——

Senator FERGUSON. To ask for a change?

Mr. RAMSPECK. Yes, to ask for a change. That is the only information I have as to that.

Senator FERGUSON. I am wondering why they did not interpret it in favor of the Government under the Executive order.

Mr. RAMSPECK. There are some people who think they could have interpreted it that way.

Senator FERGUSON. That is why I asked how the Board stood on that question.

Mr. RAMSPECK. Yes. I have no information except as to the vote that they took which indicated some difference of opinion.

Many people feel that the order could be so construed. Some time ago our Loyalty Review Board recommended a change in the order which would eliminate all possible question on this point in that it would bar from Federal employment any worker about whose loyalty there is a reasonable doubt. The Commission referred this recommendation to the President who in turn referred it to the Nimitz Board for study.

In view of the present uncertainties surrounding the functioning of the Nimitz Board, the Commission decided and has now sent to the President a direct request that the order be revised in accordance with the recommendation of the Loyalty Review Board.

Senator FERGUSON. May I ask whether or not the Loyalty Board has always construed this order as they are now construing it?

Mr. RAMSPECK. I think they have, Senator.

Senator FERGUSON. Does anybody know?

Mr. RAMSPECK. I think they have, as far as my information goes.

Miss PERKINS. Four of them said that they always construed the words "reasonable doubt" as meaning the same thing as "reason to believe."

Mr. RAMSPECK. Miss Perkins tells me that some of the members of the Loyalty Review Board have said that they have construed it the other way, in other words, they have construed reasonable doubt as being sufficient to bar the person. So there is a difference of opinion in the Board itself as to the need for this change.

Senator FERGUSON. Then there must have been a conflict with some of the panels construing it one way and with some of the other members of the Board on different panels construing it another way. Is that correct?

Mr. RAMSPECK. I think that is correct.

Senator FERGUSON. Maybe that is why we have some people removed and some others not removed.

Mr. RAMSPECK. Yes, sir. I think a study of the record of the Board will show that there has not been a unanimity of policy in deciding these cases. That is why we, as a Commission, feel that we might as well remove any doubt about it. Let us change the order and get it straight so that everybody will be following the same construction.

Senator CORDON. Certainly all groups ought to be working at least with the same tool.

Mr. RAMSPECK. Yes.

Senator FERGUSON. How long ago did you recommend that change?

Mr. RAMSPECK. This letter was dispatched to the President on Monday of this week, Senator, after we found that the Nimitz Board had adjourned and was awaiting some legislation before they could function.

Senator FERGUSON. I have an amendment pending to the statute. Have you any comments on making it law?

Mr. RAMSPECK. Not at this time, Senator. I have not even had a chance to read the bill yet.

Senator FERGUSON. I am anxious to have the Judiciary Committee get that out immediately to the floor so that it can be taken care of as a statutory construction.

Mr. RAMSPECK. Yes.

As indicated earlier in my statement, for the Commission's entire needs we are requesting a 6½-million-dollar increase over the amount available for the current fiscal year. Nearly 4½ million dollars of this increase is for the loyalty program and work derived therefrom. This large increase is required for the reason that the amount of work the Commission must do under the loyalty program is in direct proportion to the number of new employees entering the Federal service. Generally speaking, each new employee must have determined the question of his loyalty as one of the conditions for employment in the Federal service. Our workload estimates therefore, both for this fiscal year and next, are based on the number of placements to be made in the Federal service.

For the other items of work under this activity which have no direct relationship to the loyalty program, our estimate of need has been reduced slightly below the 1951 funds available for those items.

Senator ELLENDER. Mr. Chairman, may I ask a question?

Senator MAYBANK. Senator Ellender.

LOYALTY INVESTIGATION COSTS

Senator ELLENDER. Congressman, how much money did you spend for the loyalty investigations prior to this time? What proportion of your appropriations, if you know?

Mr. RAMSPECK. The actual expenditures in 1950 for the loyalty program were $3,897,845.

Senator ELLENDER. How much are you asking for this year for the same function?

Mr. RAMSPECK. We are asking for $9,359,717.

Senator ELLENDER. Is there any work that the Commission does that is a duplication of what the FBI does with reference to loyalty investigations?

Mr. RAMSPECK. No, sir.

Senator ELLENDER. To what extent do you consult with the FBI on certain investigations that you make so that there will not be a duplication of the investigations it makes?

Mr. RAMSPECK. There is no duplication. When a case develops in which some real question of loyalty is involved, the FBI makes a full field investigation and reports back to us. Then that report has to go to the appropriate regional loyalty board, you know. They hold hearings if circumstances warrant.

Senator ELLENDER. Are any of your funds used to help to pay the expenses of the FBI investigations?

Mr. RAMSPECK. No, sir.

Senator ELLENDER. Are there any funds from the FBI transferred to you for that purpose?

Mr. RAMSPECK. No, sir.

PERSONNEL REPLACEMENT

Senator SALTONSTALL. This increase, Mr. Ramspeck, in this particular function comes from increasing your number of employees from 704 to 1,805 and your record check and inquiry cases from 483,000 to 1,250,000. Is that correct?

Mr. RAMSPECK. It is all based, Senator, on the increase in placements, not the increase in employment, but the number of people who are considered for employment or are employed and who have to be checked. We first make what we call a record check. If that develops any question of loyalty, then we have a full field investigation made by the FBI. We may then have hearings before the loyalty boards. So it is not the increase in total employment that determines our workload, but it is the total placements, part of which, of course, are due to people going out of the service with their places being filled.

Senator ELLENDER. As I recall, Senator Saltonstall, when the FBI appeared before us there was a statement made by someone from that department that a lot of the investigations they make could be made by the Civil Service without imposing too much on them.

Senator SALTONSTALL. As I remember it, the FBI wanted the Civil Service Commission to do more and take on more than it was.

Senator ELLENDER. Well, now, are you doing that?

Mr. RAMSPECK. Actually some of the checks that they have been making previously, not on these full field loyalty investigations, but in the so-called security checks for sensitive positions, have been trans-

ferred over to us or are about to be by the Budget, by order of the Bureau of the Budget. We handle that on a reimbursable basis, not reimbursed by the FBI but by the agencies for which we make them.

Senator ELLENDER. Well, now, do you conduct your investigations on a loyalty basis as to all applicants for jobs?

Mr. RAMSPECK. Not as to all applicants, but as to all who are hired.

Senator ELLENDER. I mean all of those that are eligible for employment?

Mr. RAMSPECK. Not even all of those who are eligible. For instance, we hold an examination for clerk and get 5,000 or 6,000 people on the eligible list. We don't investigate them until the agency proposes to hire them. Otherwise we would be asking you for a good many more millions of dollars.

PROCEDURE IN INVESTIGATION

Senator ELLENDER. When a certain member is selected from the eligible list, then you go from there and investigate?

Mr. RAMSPECK. That is right.

Senator ELLENDER. Now, suppose you find something of the nature that ought to be turned over to the FBI. Do you do that voluntarily; do you do that in each case; or exactly how do you work that? In other words, I would like to find out what cooperation there is with respect to this loyalty program between you and the FBI.

Mr. RAMSPECK. The cooperation is good. If we get evidence that involves the loyalty of an employee it is turned over to the FBI, and they make what they call a full field investigation. In many instances they have sources of information that we do not have.

Senator ELLENDER. In other words, after you have made your preliminary examination, if you find something that ought to be further investigated, it is then turned over to them?

Mr. RAMSPECK. That is correct.

Senator ELLENDER. I see; thank you.

Miss PERKINS. It is automatic.

Mr. RAMSPECK. It is an automatic procedure that we go through.

Senator ELLENDER. It is your view, then, that there is no duplication between the work that you do and that which the FBI does?

Mr. RAMSPECK. That is right.

Senator ELLENDER. Thank you.

PERSONNEL CLASSIFICATION

Mr. RAMSPECK. Activity 3, "Personnel classification": An increase of approximately $270,000 is requested for this activity. This entire increase is required for our audit program under which we review classification actions taken by the agencies in order to determine adherence to Commission standards. Generally, these reviews are made on a postaudit basis. The Classification Act of 1949, however, gives to the Commission the authority to withdraw an agency's right to take initial action whenever in the Commission's judgment such withdrawal of authority appears warranted.

With the increase in size of the civilian staff of the Government, more positions thereby fall within the purview of the Classification

Act and therefore are subject to the Commission's audit authority.

Senator MAYBANK. We understand that a lot of people are being transferred from one agency to another agency, particularly the defense agencies. It has been brought out here that when they are transferred they are promoted in grade to better positions. What are the facts about that? We understand that some people are going on leave from their agencies, and, of course, they have the right to go back. We have been told that when they are transferred, we will say, over to Mr. Eric Johnston's office or to Mr. Wilson's office or to Mr. DiSalle's office, they receive a little promotion. What part do you play in that? Is that a fact?

Mr. RAMSPECK. We have regulations, Mr. Chairman, which prohibit the transfer of employees at more than a two-grade raise in the lower grade positions, and at more than a one-grade jump in the higher grade positions.

Senator MAYBANK. But the testimony before this committee is that there have been large numbers of those who have been jumped two grades or one grade. Is that right?

Mr. RAMSPECK. I could not answer that.

Senator MAYBANK. Can you furnish that information for the record as there has been mention of that before the committee in the testimony of various of the independent offices.

Mr. RAMSPECK. We will be glad to furnish that, if possible.

I might say to the committee that we recently took back the authority to classify jobs from some of these newer agencies because we felt that they were not following the standards which had been laid down.

Senator MAYBANK. The statement has been made to us that these new agencies have not been following the standards that you have laid down, and that in some instances they have given a person a double jump in the lower grades and a single jump in the upper grades, whereas another person in being transferred on a comparative basis was not promoted. If you will furnish that for the record, that is all the committee wants.

Mr. RAMSPECK. I might say to the committee, Mr. Chairman, that during World War II, on the other side of the Capitol, I carried on an investigation into similar practices.

Senator MAYBANK. I know that you did.

Mr. RAMSPECK. I am certainly aware of the problem, and we are going to do everything we can to keep it from happening again.

Senator MAYBANK. It has been called to our attention that many of the agencies are engaged in that practice.

Mr. RAMSPECK. Yes.

(The information referred to is as follows:)

As previously indicated, 15,068 transfers from other agencies have been reported by agencies in the executive branch for the period July 1, 1950, through February 28, 1951. These transfers do not include cases of persons who resign from the Government service and who later reenter same.

For the foregoing reasons and for the further reason that reports of changes in civilian personnel do not reach the Civil Service Commission until after considerable time has elapsed, especially where the actions are taken at distant field establishments, the Civil Service Commission does not have in its possession the information requested by the committee. The only feasible way to obtain this information is for the Civil Service Commission to request each agency to compile the desired information and furnish it to the Commission for consolidation and submission to the committee. This, the Civil Service Commission will be glad to do if the committee so desires.

Mr. RAMSPECK. The increase in funds we are requesting is due solely to the increase in the number of positions to be brought under the act through the growth of the Federal service during fiscal year 1952.

In addition to the making of formal audits, the Commission will continue to offer help in classification matters to the expanding defense establishments to the fullest extent permitted by our resources. Likewise, the Commission will continue to investigate charges of pirating, overgrading of jobs, and similar matters which arise during a period of large expansion in Government personnel.

CONCLUSION

In concluding I desire to state that my two colleagues, Commissioner Perkins and Commissioner Mitchell, are here and available for any questions the committee may wish to ask them. The budget has been carefully reviewed and approved by all of us.

REMOVAL OF RETIREMENTS AND RECORDS DIVISIONS TO SYRACUSE, N. Y.

Senator MAYBANK. We have a complaint here from a number of Government employees, civil-service people, protesting the moving of the Retirement Division and part of the Service Records Division to Syracuse. It is quite a long letter. It is addressed to Senator McKellar. Naturally, I would not want to embarrass the people who wrote the letter. But can you furnish the clerk of the committee a statement of the full reasons why it is necessary for the employees of the Audit Section, Service Records Division, Civil Service Commission, to be moved to Syracuse?

Mr. RAMSPECK. That is a part of the decentralization program, Mr. Chairman, which involves a great many of the agencies of the Government.

Senator MAYBANK. I would appreciate it if you will get up a proper statement and give it to the clerk. We will send it to these various petitioners.

Mr. RAMSPECK. We will be glad to do that.

(The statement referred to appears on page 576.)

NEW PERSONNEL REQUESTED

Senator SALTONSTALL. Just to sum this up, Mr. Chairman, you are requesting 1,628 new employees at an expense of $6,488,000, or a total average cost of approximately $4,000 per employee, because of the increased number of employees coming into Government service and the resultant turn-overs therefrom?

Mr. RAMSPECK. That is approximately right.

Senator SALTONSTALL. That is the sum of it, is it not?

Mr. RAMSPECK. That is right. We have to do much more investigating, loyalty checking, checking of classifications of the agencies under this decentralized program, and also the inspecting of the operation of these boards that we are permitting to examine people out at the installations throughout the country in order that we will not slow up the defense operation.

In connection with the increase in funds requested for fiscal year 1952 amounting to $6,488,087, and the increase in personnel of 1,628 employees, I would like

to make the following comments: First, the increase in funds is not all for personal services. Of the total increase we are requesting, $5,824,867 is for personal services and $663,220 is for other objects of expenditure, such as supplies, equipment, etc. Second, our need for additional employees next year is caused solely by the fact that we expect a far greater workload than we have been able to carry this year with the limited funds available to us.

A few examples will amply sustain this position. Take, for example, our workload under the loyalty program. During the current fiscal year expansion and turn-over will require approximately 1,136,000 placements. Substantially all of these appointees will require loyalty checks. However, funds available to us this year for loyalty checks are adequate to dispose of only 512,000 cases, leaving a backlog to be carried into next year of over 650,000 cases. Add to these approximately 1,100,000 cases we expect to receive next year and we have a potential workload of 1,750,000 loyalty checks.

For fiscal year 1952 we are requesting funds to process 1,250,198 of these cases. Moneywise this item alone represents an increase over this year of about $3,540,000.

Other phases of the loyalty program, such as the regional loyalty boards and the Loyalty Review Board will also have more work to handle next year, inasmuch as the number of cases to be processed through the adjudicative phase of the program is in direct proportion to the number of initial loyalty checks made. Approximately $525,000 additional for the work of these boards is included in our total increase. All in all, the total workload in loyalty and related activities will require an increase next fiscal year amounting to $4,378,552, representing 1,300 positions. This increase, in turn, accounts for 75 percent of the total increase we are requesting for all activities.

To further illustrate my point that our increased needs are based on increased workloads, let us look at the examining and placement program. The money we have for this activity for the current year was requested and obtained on the basis of a normal peacetime operation. With the outbreak of war in Korea conditions changed. The tempo changed from peace to preparedness for war. One result has been the expansion in Federal employment in the defense and defense-connected agencies. Therefore, instead of the approximately 310,000 placements which we had estimated would be required to keep the Federal agencies staffed under peacetime conditions, the number has increased to nearly 1,140,000 placements.

The Commission, realizing it could not cope with such a workload with the funds available, has turned over to the agencies of the Government a major part of the recruiting and examining job. We now expect, through our resources and those of our boards and committees of examiners to make about 500,000 placements, largely because of the excellent condition of our registers at the outset of the year. The balance of 631,000 will be made by the agencies.

This, from the Commission's point of view, is not desirable since it is an established fact that agency recruiting not under the Commission's supervision and direction is considerably more expensive and, in addition, cannot be organized so as to avoid confusion, overlapping, and duplication of effort between agencies.

For these reasons the Commission's estimate for fiscal year 1952 envisions an examining and recruiting program by which the Commission, through its own or its board and committee program, will make approximately 800,000 placements out of an anticipated total of 1,141,000 which will be required during that fiscal year. In addition, the Commission will direct and coordinate the recruiting which must be done by the agencies independently, in order to avoid expensive overlapping and duplication of effort.

To accomplish these objectives the Commission is requesting an increase of approximately $1,120,000 over the amount available for this work during the current year. In return for this increased amount of money the Commission will make or will direct the making of nearly 300,000 more placements than we expect to make this year. In addition, out of this increase the Commission will also do the job of controlling and directing the recruiting efforts of the agencies in those cases where we must call upon them for assistance.

The examples which I have cited cover substantially the full amount of the increase we are requesting. The other items of work in which small increases are being requested are of the same general nature as those discussed above. Accordingly, I believe it is readily apparent that our need for additional funds

next year is for work which will flow to us in the normal course of events and which we must handle in order to effectively staff and service the Federal agencies with competent, loyal employees. The average salary of the employees we will hire with the increase in funds requested amounts to $3,578.

Senator SALTONSTALL. Can you get the qualified people to do this work? Can you get 1,628 new qualified people?

Mr. RAMSPECK. It is not going to be easy to get the type of people we want, Senator, but I think we can.

Senator FERGUSON. Mr. Chairman, I am glad you have asked them to give us a report on these promotions that are not in-grade. I would like also to have you furnish for the record the detail on the number of employees that have been allowed to resign after they learned that there was evidence that there was a loyalty investigation pending with reference to themselves and the number that had been transferred or allowed to be transferred over to another department. There has been evidence in the newspapers that that has been done. If we are going to spend the amount of money that we are spending on this loyalty program, we ought to see real evidence that it is actually working.

Mr. Chairman, may they furnish that?

Senator MAYBANK. Will you do that?

Mr. RAMSPECK. We will be delighted to, Mr. Chairman. I have a statement on that now, if you want to take the time to hear it.

Senator FERGUSON. Put it in the record.

I might suggest, Mr. Chairman, that I could get in touch with Mr. Ramspeck and outline to him what I would like to have him furnish a little later.

Mr. RAMSPECK. We will be delighted to have you do that, Senator.

(The information requested is as follows:)

Federal employees loyalty program—Statistics on resignations

Group A—Resignations during course of investigation:	
Number of persons who have resigned during the course of investigation (period: Oct. 1, 1947–Dec. 31, 1950)	1,674
Number of persons who would resign due to normal turn-over in Government. Computed as follows: 15,678 (number of cases converted to full field investigation from Oct. 1, 1947, through Dec. 31, 1950) ×2.5 (average monthly turn-over rate in Government) ×3 allowing 90-day period for investigation)	1,177
Difference—number of persons (over and above normal turn-over) who could have resigned due to loyalty reasons	497
Group B—Resignations after report of investigation but prior to issuance of letter of charges:	
Number of persons who have resigned after receipt of full field investigation report but prior to issuance of letter of charges (period: Oct. 1, 1947–Dec. 31, 1950)	778
Number of persons who would resign due to normal turn-over in Government. Computed as follows: 778×2.5×2 (allowing 60-day period for issuance of letter of charges)	40
Difference—number of persons (over and above normal turn-over) who could have resigned due to loyalty reasons	738
Group C—Resignations after receipt of letter of charges: Number of persons resigning after receipt of letter of charges (period: Oct. 1, 1947–Dec. 31, 1950)	489

NOTE.—These resignations could be attributed solely to loyalty reasons.

DISTRIBUTION OF TOP GRADE PERSONNEL

Senator MAYBANK. There is one other question that has come up here—and that has been a little confusing because some agencies have complained that they have not been fairly treated by you entirely. I do not know that you have anything to do with it. But they have definitely complained about the number of positions in grade 18, 17, 16, 15, and 14 that have been allocated to them. In other words, I will not mention any bureaus, but some bureaus think that they ought to have more positions in grade 17, 16, 15, the positions that the Congress created last year in addition to what then existed. That has been disappointing, I might say, to those who requested those positions. The committee would like to have you furnish a statement as to the grade numbers and the number of employees in the grades in the different agencies of Government, particularly in the grades of 18, 17, 15, and 14.

Mr. RAMSPECK. May I ask you one question, Mr. Chairman? There are several authorities for what we call supergrades, that is, grades 18, 17, and 16.

Senator MAYBANK. Last year in the National Production Act, as I remember it, several hundred more such positions were made available.

Mr. RAMSPECK. That is right.

Senator MAYBANK. For example, some agencies which thought that they were going to get 15 such positions only got 1.

Mr. RAMSPECK. The Classification Act put a limit of 400 on such positions, and the Commission had requests for 1,000, so naturally there were some people who were disappointed. There were 600 people who were disappointed.

Senator MAYBANK. What the committee wanted was a list of the different classifications as divided amongst the different agencies.

Mr. RAMSPECK. We will be glad to furnish that.

Senator ELLENDER. I do not recall the contents of the act, but who makes this allocation of the 400 positions?

Mr. RAMSPECK. The allocations of grades 16 and 17 are made by the Commission. Grade 18 has to be approved by the President in addition to the Commission.

Senator ELLENDER. As between the various agencies, who determines how many this agency should have and how many the others should have?

Mr. RAMSPECK. Under the Classification Act, the Civil Service Commission made the determination as to the 400 that were provided for there.

Senator ELLENDER. What yardstick did you use? The number of employees in that bureau?

Mr. RAMSPECK. The relative importance of the positions which they wanted to put into these grades. The duties and the responsibiilties as compared with others who were requesting the same grade. Of course, it was a matter of judgment, and we may have made some mistakes in that.

Senator ELLENDER. But personalities were not involved there?

Mr. RAMSPECK. Not at all.

Senator ELLENDER. Just the job itself?

Mr. RAMSPECK. That is the only thing we considered.

Senator MAYBANK. And the same thing is true with respect to the new positions that were made available here last September, I believe?

Mr. RAMSPECK. There is a difference there, Mr. Chairman, because the law itself provided for those positions outside of the 400 positions covered by the Classification Act. In some instances it gave them a specified number. In the Defense Production Act the President has authority to fix the limit there. He has fixed a limit which has now been filled up, and it is up to him as to whether he raises it or not.

Senator MAYBANK. I was not suggesting that we ask the President about it. If you have that information and can furnish it for the Senators and for the committee, we will appreciate it.

Mr. RAMSPECK. We will be delighted to furnish that, Mr. Chairman.

(The information referred to is as follows:)

STATEMENT OF POSITIONS IN GS-18, GS-17, AND GS-16, BY DEPARTMENT AND STATUTORY AUTHORITY

CLASSIFICATION ACT OF 1949

Section 505 of the Classification Act of 1949 (Public Law 429, 81st Cong.) provides that 400 positions may be placed in grades GS-18, GS-17, and GS-16. Of this number, 25 may be placed in GS-18 by the President upon the recommendation of the Chairman of the Civil Service Commission; 75 may be placed in GS-17 and 300 in GS-16 by the Civil Service Commission. Salaries for these grades are $11,200 to $12,000 for GS-16, $12,200 to $13,000 for GS-17, and $14,000 for GS-18.

DEFENSE PRODUCTION ACT OF 1950

Section 710 (a) of the Defense Production Act of 1950 (Public Law 774, 81st Cong.) authorizes the President to place positions and employ persons temporarily in grades 16, 17, and 18 of the general schedule established by the Classification Act of 1949; such positions are additional to the number authorized by section 505 of the Classification Act. Executive Orders 10161 and 10200 authorized agencies having functions under the Defense Production Act or assigned pursuant to the Executive orders, to submit requests to the Chairman of the United States Civil Service Commission, for the classification of positions in grades 16, 17, and 18, in accordance with the standards and procedures of the Classification Act of 1949. On November 18, 1950, the President limited the number of positions that may be placed in GS-16, 17, and 18 under the provisions of the Defense Production Act to 150; and on February 1, 1951, the limitation was raised to 250, of which 33 may be in GS-18. On April 10, 1951, the limitation on GS-18's was raised to 36, but the ceiling of 250 was retained.

FEDERAL CIVIL DEFENSE ACT OF 1950

Section 401 of the Federal Civil Defense Act of 1950 (Public Law 920, 81st Cong.) provides that 22 positions may be placed in GS-16, 17, and 18, in accordance with the standards and procedures of the Classification Act of 1949; such positions to be additional to the number authorized by section 505 of the Classification Act. Twenty positions have been approved under this provision in the Federal Civil Defense Administration.

SUPPLEMENTAL APPROPRIATION ACT OF 1951

Section 108 of the Supplemental Appropriation Act of 1951 (Public Law 843, 81st Cong.) provides that the President may authorize additional positions in GS-16, 17, and 18 not to exceed one-third of each grade now employed in the Department of Defense, in accordance with the procedures and standards of the Classification Act of 1949. Under this provision, the President may authorize 26 additional positions (1 in GS-18, 5 in GS-17, and 20 in GS-16). The Department of Defense has submitted a recommendation for 1 GS-18 position.

Tabulation of number of positions in GS–18, GS–17, and GS–16

Department	GS–18				GS–17			GS–16			Total
	CA	DPA	FCDA	SAA	CA	DPA	FCDA	CA	DPA	FCDA	
Department of Agriculture	4	1			8	5		34	16		68
Bureau of the Budget	1				3			2			6
Civil Aeronautics Board						1		2			3
Civil Service Commission	1							4			
Department of Commerce	3				6	2		22	1		34
National Production Authority		8				39			31		78
Council of Economic Advisers									1		1
Department of Defense	3	9		[1] 1	14	11		60	7		105
Defense Transport Administration		1				9					10
District Government					2			3			5
Economic Stabilization Agency		5				13			13		31
Executive Office of President—White House								1			1
Export-Import Bank					1			3			4
Federal Civil Defense Administration			8				9			3	20
Federal Communications Commission								6			6
Federal Mediation and Conciliation Service					1			1			2
Federal Power Commission								3			3
Federal Security Agency	2				4			20	1		27
Federal Trade Commission								5			5
General Accounting Office	1							5			6
General Services Administration		3				3		4	4		14
Housing and Home Finance Agency					2			10			12
Institute of Inter-American Affairs								1			1
Department of the Interior	3	4			7	18		8	17		57
Interstate Commerce Commission					1	1		5			7
Department of Justice					1			11			12
Department of Labor	2	1			3	3		4	3		16
Library of Congress	1							1			2
National Advisory Committee for Aeronautics								4			4
National Labor Relations Board								2			2
National Security Council					1						1
National Security Resources Board					1			11			12
Office of Defense Mobilization		4				3			1		8
Panama Canal					1						1
Post Office Department								7			7
Railroad Retirement Board								1			1
Reconstruction Finance Corporation					2	1		3	3		9
Securities and Exchange Commission								5			5
Selective Service System						1					1
Smithsonian Institution								1			1
Department of State	2				9			10			21
Tariff Commission								2			2
Department of the Treasury	2				7			28			37
Veterans' Administration					1			6			7
Total	25	36	8	[1] 1	75	110	9	295	98	3	660

[1]Recommended but not yet approved.

Senator MAYBANK. Mr. Chairman, it is unfortunate that we got such a late start. We appreciate what you have had to say. When the committee meets again, if there is anything further the committee desires to learn, we will have to ask you to come back because we did not want to rush you off.

Mr. RAMSPECK. That is all right, Mr. Chairman.

Senator ELLENDER. I am sure he does not mind that.

Senator MAYBANK. The committee will recess now and reconvene at 2 o'clock next Monday afternoon.

(Whereupon, at 12:35 p. m., Friday, April 20, 1951, the hearing was recessed until 2 p. m., Monday, April 23, 1951.)